

Manitoba
March, 2003

OFFICE OF THE
AUDITOR GENERAL

**Dakota Tipi First Nation Gaming Commission
and First Nation Gaming Accountability
in Manitoba**



As a leader in promoting
enhanced accountability of
government to the citizens of
Manitoba, the Office of the
Auditor General will contribute
to greater public trust and
confidence in the institutions
of government.

Vision

As a leader in promoting enhanced accountability of government to the citizens of Manitoba, the Office of the Auditor General will contribute to greater public trust and confidence in the institutions of government.

Mission

To contribute to effective governance by the Manitoba Legislature, we provide the Members of the Legislative Assembly with independent assurance and advice on:

government accountability information;
compliance with legislative authorities;
and the operational performance of government.

Values

IN INTERPERSONAL RELATIONSHIPS

Respect ***Honesty***
Integrity ***Openness***

IN ACHIEVING OUR VISION AND MISSION

Teamwork
Independence
Balanced Perspectives
Professional Excellence

PROJECT TEAM

Jon Singleton
Bonnie Lysyk
Brian Wirth
Krista Kivisild
Joe Racano

ACKNOWLEDGMENTS

Deloitte & Touche LLP

DESKTOP PUBLISHER

Sandra Humbert

PRINTED BY

Transcontinental
Coronet Printers

COVER DESIGN

Gator Designs

Copies of this report may be obtained by contacting:

Office of the Auditor General

500-330 PORTAGE AVENUE

WINNIPEG, MANITOBA CANADA R3C 0C4

PHONE: 204 945 3790 FAX: 204 945 2169

EMAIL: contact@oag.mb.ca

WEBSITE: www.oag.mb.ca

Vision

As a leader in promoting enhanced accountability of government to the citizens of Manitoba, the Office of the Auditor General will contribute to greater public trust and confidence in the institutions of government.

Mission

To contribute to effective governance by the Manitoba Legislature, we provide the Members of the Legislative Assembly with independent assurance and advice on:

government accountability information;

compliance with legislative authorities;

and the operational performance of government.

Values

IN INTERPERSONAL RELATIONSHIPS

Respect Honesty

Integrity Openness

IN ACHIEVING OUR VISION AND MISSION

Teamwork

Independence

Balanced Perspectives

Professional Excellence

PROJECT TEAM

Jon Singleton
Bonnie Lysyk
Brian Wirth
Krista Kivisild
Joe Racano

ACKNOWLEDGMENTS

Deloitte & Touche LLP

DESKTOP PUBLISHER

Sandra Humbert

PRINTED BY

Transcontinental
Coronet Printers

COVER DESIGN

Gator Designs

Copies of this report may be obtained by contacting:

Office of the Auditor General

500-330 PORTAGE AVENUE

WINNIPEG, MANITOBA CANADA R3C 0C4

PHONE: 204 945 3790 FAX: 204 945 2169

EMAIL: contact@oag.mb.ca

WEBSITE: www.oag.mb.ca



Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba R3C 0C4

March 2003

The Honourable George Hickes
Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

I have the honour to transmit herewith my March 2003 report on the Dakota Tipi First Nation Gaming Commission and First Nation Gaming Accountability in Manitoba to be laid before Members of the Legislative Assembly in accordance with the provisions of Section 28 of The Auditor General Act.

Respectfully submitted,

Jon W. Singleton, CA•CISA
Auditor General



TABLE OF CONTENTS

REFLECTIONS OF THE AUDITOR GENERAL	1
EXECUTIVE SUMMARY.....	3
1.0 INTRODUCTION	7
2.0 GAMING GOVERNANCE AND ACCOUNTABILITY FRAMEWORK IN MANITOBA.....	9
3.0 DAKOTA TIPI FIRST NATION GAMING REVIEW	11
4.0 REVIEW OF SOARING EAGLE ACCOUNTING LTD. INVOLVEMENT WITH DAKOTA TIPI FIRST NATION AND MGCC	24
5.0 GAMING LEGISLATION IN MANITOBA	26
6.0 REVIEW OF FIRST NATION GAMING COMMISSION AGREEMENTS	28
7.0 LICENSE APPLICATIONS FOR BINGO/BREAKOPEN AND RAFFLES - TERMS AND CONDITIONS.....	32
8.0 FIRST NATION GAMING COMMISSION ANNUAL AUDITED FINANCIAL STATEMENTS.....	32
9.0 FIRST NATION VLT SITEHOLDER AGREEMENTS	33
10.0 LEARNINGS FOR FNGCs AND FIRST NATIONS	34
11.0 RECOMMENDATIONS	35
COMMENTS FROM MANITOBA GAMING CONTROL COMMISSION	38
COMMENTS FROM MANITOBA LOTTERIES CORPORATION	41
COMMENTS FROM THE PROVINCE	43

TABLE OF CONTENTS

(cont'd.)

- Appendix A - Special Review Request
- Appendix B - Gaming Governance and Accountability Framework
in the Province of Manitoba
- Appendix C - Agreement Between the Government of Manitoba
and Dakota Tipi First Nation
- Appendix D - First Nation VLT Siteholder Agreement Between
MLC and Dakota Tipi First Nation
- Appendix E - Draft Agreement Between Soaring Eagle Accounting Ltd.
and Dakota Tipi First Nation
- Appendix F - Agreement Between Soaring Eagle Accounting Ltd.
and Dakota Tipi First Nation
- Appendix G - Resignation Letter from Soaring Eagle Accounting Ltd.
to Dakota Tipi First Nation
- Appendix H - First Nation Gaming Commissions in Manitoba
- Appendix I - First Nation VLT Siteholder Agreements in Manitoba

The terms "responsible governance", "accountability" and "transparency" are frequently used by citizens when assessing the management of public monies by Crown corporations, governments, hospitals, schools, and other recipients of public monies, including the not-for-profit sector. Stakeholders are recognizing that responsible governance, accountability and transparency are essential contributors to the prudent management of public monies.

I believe that the results of our review show that these concepts are equally applicable, and important for a successful First Nation Gaming Governance and Accountability Framework in Manitoba. The Province of Manitoba, First Nations, the Manitoba Gaming Control Commission (MGCC) with respect to First Nation Gaming Commissions (FNGCs), and the Manitoba Lotteries Corporation (MLC) with respect to First Nation VLT siteholder agreements all have important roles to play.

Unfortunately, the Dakota Tipi Gaming Commission (DTGC) did not operate in compliance with its charitable gaming agreement with the Province, and in effect the Dakota Tipi First Nation (DTFN) has breached that agreement in various ways. As a result of an absence of responsible governance, there was virtually no accountability over the raising and spending of gaming revenues and an almost complete lack of transparency to the members of the DTFN community.

The report contains two key recommendations that I would like to highlight here:

- That the Province should seek legal advice regarding certain of our findings; and,
- That the Province, through MGCC and MLC should continue to suspend all gaming activities at DTFN until such time as governance at DTFN is stable, and there is strong evidence that gaming operations can be conducted in a legal, appropriate and transparent manner for the benefit of the community.

I believe that effective action to address the issues raised in this report will go a long way to addressing the concerns voiced by many stakeholders prior to our review. The result should be enhanced accountability to the members of DTFN through strengthened internal controls over charitable gaming and VLT proceeds; and financial reporting to the community on the monies earned and the use to which they are put.

The intent and purpose of the MGCC, as per The Gaming Control Act is "to regulate and control gaming activity in the Province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest". This report also highlights the importance of MGCC having the necessary authority to fulfil its intent and purpose. To address this we have made recommendations to prohibit the sale of gaming products to unlicensed or non-registered persons or organizations and to provide MGCC with the formal authority to audit or inspect the licensee records or accounts for all charitable gaming licenses issued in the Province.



I would like to thank the MGCC and the MLC for their assistance and cooperation during this review. Their progressive and positive comments have been incorporated into this report.



Jon W. Singleton, CA•CISA

Executive Summary

In April 2002, The Provincial Council of Women of Manitoba, Inc. highlighted in a letter to the Premier of Manitoba their concerns regarding Dakota Tipi First Nation's (DTFN) financial accountability for gaming revenues. Subsequently, the Province also received allegations of DTFN gaming revenue misuse.

In mid-July, further allegations were made linking gaming revenue and criminal activity at DTFN. In late July, the Province, through the Manitoba Gaming Control Commission (MGCC) and Manitoba Lotteries Corporation (MLC), suspended all gaming activities at DTFN pending results of a proposed review of the allegations.

On September 9, 2002, the MGCC issued a press release detailing the terms of reference for a special operating review of the Dakota Tipi Gaming Commission (DTGC) and on-reserve gaming revenues. The Province, through the MGCC, contracted with Deloitte & Touche LLP (D&T) to conduct the review of the allegations of DTGC gaming revenue misuse.

On October 3, 2002, the Minister of Finance requested the Office of the Auditor General (OAG) to conduct a special audit, under Section 16(1) of The Auditor General Act, of the accounts of the DTGC and on-reserve gaming revenues in cooperation with the MGCC (see **Appendix A**). The Minister advised the OAG that D&T would be able to assist the OAG as its agent, while continuing under its original terms of reference. On October 4, 2002, we advised the Minister of Finance that we would accept this request. The Minister responsible for The Gaming Control Act, MGCC and the OAG subsequently agreed that the results of D&T's work would be incorporated into Section 3.0 of this report.

The scope of our review included the following:

- A review of the operations of DTGC and on-reserve gaming revenues which includes charitable gaming and VLT gaming proceeds; and
- A review of the First Nation Gaming Governance and Accountability Framework in the Province.

With respect to the findings from our review of the operations of DTGC and on-reserve gaming revenues the major conclusions are as follows:

- The DTGC did not operate in compliance with its gaming agreement with the Province. DTGC existed largely as an entity on paper, as actual operations were minimal. We believe it likely that the creation of DTGC by the band was taken primarily to increase the likelihood of acquiring the right to operate additional gaming activities, and that there was never any intention to operate DTGC as an effective regulator of charitable gaming on the reserve.
- DTFN has breached its 1994 agreement with the Province of Manitoba by not maintaining appropriate records and supporting documents with respect to receipts and disbursements of charitable gaming revenue, and by failing to provide quarterly reports to DTGC on charitable gaming activities. Further, DTFN has breached the MGCC regulation by using bingo paper and breakopen tickets from suppliers other than MLC and operating in excess of five nights a week.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

- During the course of our review of charitable gaming activities at DTFN, we did not uncover any evidence to suggest charitable gaming proceeds being used to support criminal activity.
- Proceeds from charitable gaming activities at DTFN have inappropriately been used for purposes other than charitable or religious objects or purposes, which is a legislative requirement under the Criminal Code of Canada. Based on the analysis approximately \$13,800 (the excess cash from bingo operations of \$20,700 less \$6,900 of expenditures which met the criteria of charitable purposes) may have been used inappropriately, however it is not possible to determine the exact amount due to the missing documentation.
- DTFN charitable gaming events were not accounted for in accordance with the Terms and Conditions for Bingo/Breakopen events established by MGCC.
- Internal control procedures at DTFN over the charitable gaming proceeds were essentially non-existent. Charitable gaming proceeds were not always deposited in the bank, expenditures were paid by cash routinely and supporting documentation for expenditures made by cash or cheque was not available in many instances.
- We were unable to determine whether all VLT monies earned by DTFN were appropriately disbursed due to the missing daily summary sheets and missing documentation to support many of the expenditures paid by cash or cheque.
- We are concerned about the appropriateness and legality of certain uses of VLT proceeds with respect to the existence of evidence where the proceeds of VLTs may have been used for criminal activities. These situations may warrant further review.
- Accountability for the use of VLT proceeds after April 1, 2001 was virtually non-existent as a result of an almost total lack of internal controls.
- Internal control procedures at DTFN over the VLT proceeds were definitely inadequate. VLT net proceeds were not always deposited in the bank, expenditures were paid by cash routinely, and supporting documentation for expenditures made by cash or cheque was not available in many instances.

With respect to the findings from our review of Soaring Eagle Accounting Ltd.'s involvement with DTFN and MGCC the major conclusion is as follows:

- The operating agreement to manage the operations of the DTGC, between Soaring Eagle Accounting Ltd. and DTFN was inappropriate, because the compensation arrangements therein contravened the DTFN VLT siteholder agreement. We believe that Soaring Eagle Accounting Ltd. took prudent steps to prevent such a situation from occurring by seeking advice and counsel from MGCC prior to entering into the agreement.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

With respect to the findings from our review of the First Nation Gaming Governance and Accountability Framework in the Province our major conclusions are as follows:

- MLC and MGCC organizations have different roles in controlling and regulating gaming activities managed by First Nations. The different roles of MLC and MGCC, together with weaknesses in controls over First Nations gaming as noted elsewhere in this report, indicate a need to strengthen the collaboration and communication between these two entities.
- The absence of prohibitions over the sale of gaming products to unlicensed or non-registered persons or organizations may be contributing to the existence of illegal gaming activities in Manitoba.
- Limitations in the powers of MGCC limit its ability to eradicate illegal gaming.
- The existence of different agreements with FNGCs creates the risk that gaming activities will not be operated, monitored, and controlled on a consistent basis.
- Weaknesses in accountability reporting and MGCC monitoring practices, creates an undue risk that gaming activities on-reserve may not be conducted honestly, with integrity and in the public interest.
- The absence of formal FNGC inspections by MGCC prior to November 1, 2002 created an undue risk that some FNGCs may not have been functioning in accordance with the terms of their FNGC agreement.
- The absence of effective authority of MGCC to terminate or alter gaming arrangements when appropriate, reduces MGCC's ability to ensure that on-reserve gaming activities are conducted honestly, with integrity, and in the public interest.
- Given that the management of gaming activities requires a cross-section of specialized skills, FNGCs may be facing a challenge in ensuring that such skills are in place.
- While we understand that DTFN may not be representative of other First Nations with FNGCs in terms of scale of charitable gaming operations and number of licensees, we are concerned that it may be an unrealistic expectation that each FNGC will be able to recruit and retain staff with the necessary expertise to establish a full service gaming commission on each First Nation.
- MGCC does not have formal authority to audit or inspect the licensee records or accounts for all charitable gaming licenses issued in the Province. As a result, all charitable gaming licenses issued may not be subject to the same level of control and monitoring. MGCC's authority to audit or inspect licensee records or accounts, whether MGCC or FNGC has issued the gaming license, is a significant control function that should be in place for all gaming licenses issued in the Province.
- The late receipt or non-receipt of annual audited financial statements and management letters of FNGCs significantly compromises MGCC's ability to monitor the activities of FNGCs.

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

- An absence of appropriate public information makes it difficult for First Nation members to hold relevant officials accountable concerning the extent and use of VLT revenues.

Many learnings resulted from our review of DTGC and its records. They are highlighted in the margins of this report for reference by other FNGCs and First Nations wanting to ensure that appropriate practises are followed and records maintained.

Recommendations resulting from our findings and conclusions are contained in Section 11.0.

We would like to thank the staff of MGCC and MLC for their assistance and cooperation during our work.

1.0 Introduction

1.1 BACKGROUND

Dakota Tipi First Nation (DTFN) is small in both land base and member population with less than 100 on-reserve residents, and is located near Portage La Prairie. In 1994, the Province of Manitoba entered into a gaming agreement with DTFN, transferring the responsibility for the licensing and control of charitable gaming on the First Nation to the DTFN. Under this gaming agreement the DTFN was to establish the Dakota Tipi Gaming Commission (DTGC) within ninety days of the agreement date, for the purpose of licensing and regulating lottery schemes on their reserve lands. In January 2001, DTFN entered into a siteholder agreement with Manitoba Lotteries Corporation (MLC) to operate 25 Video Lottery Terminals (VLTs) on the First Nation. A condition of this agreement is that the DTFN was to ensure that they operated in compliance with the 1994 gaming agreement with the Province of Manitoba.

All gaming activities at the DTFN, both charitable and non-charitable, were held in the Dakota Tipi Bingo Palace facility and consisted of charitable gaming such as bingo events and the sale of breakopen tickets in the bingo area of the facility, and non-charitable VLT gaming operations in an area adjacent to the bingo area.

In late March 2002, after an internal band dispute over band governance, the Minister of Indian and Northern Affairs Canada (INAC) gave notice of his intention to invoke Section 74(1) of the Indian Act, ordering an election for chief and council. Around the same time, a third party manager was also put in place by INAC to manage band affairs until a new administration was elected, through an election to be held October 28, 2002. An election was conducted and a new council was elected on October 28, 2002. The DTFN continues to experience problems of community unrest.

In April 2002, The Provincial Council of Women of Manitoba, Inc. highlighted in a letter to the Premier of Manitoba their concerns regarding DTFN's financial accountability for gaming revenues. Subsequently, the Province also received allegations of DTFN gaming revenue misuse. Also during this period, the Manitoba Gaming Control Commission (MGCC) was in contact with Chief and Council of DTFN, representatives of the community and their legal counsel, INAC and other organizations in an attempt to help resolve the on-reserve conflict concerning matters within their purview.

In mid-July, further allegations were made linking gaming revenue and criminal activity at DTFN. In late July, the Province, through the MGCC and MLC, suspended all gaming activities at DTFN pending results of a proposed review of the allegations.

On September 9, 2002, the MGCC issued a press release detailing the terms of reference for a special operating review of the DTGC and on-reserve gaming revenues. The Province, through the MGCC, contracted with Deloitte & Touche LLP (D&T) to conduct the review of the allegations of DTGC gaming revenue misuse.

On October 3, 2002, the Minister of Finance requested the Office of the Auditor General (OAG) to conduct a special audit, under Section 16(1) of The Auditor General Act, of the accounts of the DTGC and on-reserve gaming revenues in cooperation with the MGCC (see **Appendix A**). The Minister advised the OAG that D&T would be able to assist the OAG as

its agent, while continuing under its original terms of reference. On October 4, 2002, we advised the Minister of Finance that we would accept this request. The Minister responsible for The Gaming Control Act, MGCC and the OAG subsequently agreed that the results of D&T's work would be incorporated into Section 3.0 of this report.

On October 2, 2002, the OAG also received a letter from the Member of the Legislative Assembly for Russell setting out certain issues and concerns with respect to on-reserve gaming, most of which are encompassed in this review.

In addition to reviewing the general allegations of gaming revenue misuse, the OAG determined that it was appropriate to review the governance and accountability framework associated with First Nation Gaming in Manitoba in order to understand how gaming is managed and controlled in the Province of Manitoba, and to provide recommendations to the MGCC, MLC and the Province for improvement in gaming agreements and the gaming and governance accountability framework.

Further, during the summer of 2002, questions were raised in the Legislature regarding an agreement between Soaring Eagle Accounting Ltd. and the DTGC. We determined that a review of events regarding this situation was appropriate.

1.2 SCOPE

The scope included the following:

Dakota Tipi First Nation Gaming (Sections 3.0 and 4.0)

- A review of the operations of the Dakota Tipi First Nation Gaming Commission (DTGC) to determine compliance with its gaming agreement with the Province of Manitoba;
- A review of whether charitable gaming proceeds at DTFN were properly used and accounted for, and if evidence exists to support allegations linking the proceeds to criminal activities;
- A review of whether VLT gaming proceeds were properly accounted for, and if evidence exists to support allegations linking the proceeds to criminal activities; and
- A review of Soaring Eagle Accounting Ltd.'s involvement with the DTGC.

The period under review was January 1, 2001 until such time all gaming activities ceased on DTFN in early August 2002.

First Nation Gaming Governance and Accountability Framework (Sections 5.0 to 9.0)

- An examination of gaming legislation consisting of a review of the Gaming Control Acts of Manitoba and other jurisdictions, and the Criminal Code of Canada;
- A review of the agreements in place between the Province and the various First Nation Gaming Commissions (FNGC) in Manitoba;
- A review of license applications for Bingo/Breakopen and Raffles - Terms and Conditions;
- A review of FNGC Annual Audited Financial Statements; and

- An examination of the VLT siteholder agreements in place between MLC and First Nations in Manitoba.

Our work consisted of such procedures and examinations that we determined necessary to complete this scope. Work was conducted from September 2002 to January 2003, and included interviews and meetings with MGCC staff and Board members, MLC staff, former and current Chief and members of Council of DTFN, members of DTFN, current and former DTFN auditors, and representatives of Soaring Eagle Accounting Ltd. As well, financial information was analyzed, and relevant financial statements, correspondence, agreements, and other supporting documentation were reviewed.

2.0 Gaming Governance and Accountability Framework in Manitoba

Appendix B is a schematic of the gaming governance framework in Manitoba.

2.1 MANITOBA LOTTERIES CORPORATION

Manitoba Lotteries Corporation (MLC) was created by, and operates under the terms of The Manitoba Lotteries Corporation Act. MLC derives its authority to "conduct and manage" gaming activity from this Act and from the Criminal Code of Canada, Section 207(1)(a), where there is authority given for a Province or its agent to "conduct and manage" gaming activity. MLC reports to the Minister responsible for the administration of The Manitoba Lotteries Corporation Act.

MLC manages and operates Club Regent and McPhillips Street Station Casinos and a VLT network. MLC is also responsible for the sale of breakopen tickets and bingo paper throughout the Province, as well as the distribution/sale of lottery tickets for the Western Canada Lottery Corporation.

The Aseneskak Casino, Manitoba's first First Nation Casino, opened February 15, 2002, on the Opaskwayak Cree Nation near The Pas. Although MLC is not responsible for day-to-day operations of the Aseneskak Casino, MLC does conduct and manage gaming activity in that it sets the mix and number of games, is responsible for security and surveillance, controls the gaming proceeds, and sets policies. MLC's mandate is to ensure gaming integrity by the manner in which it conducts and manages gaming activity.

2.2 MANITOBA GAMING CONTROL COMMISSION

The Manitoba Gaming Control Commission (MGCC) was established under The Gaming Control Act to regulate and control gaming activity in the Province as defined by Section 207(1)(b), (c), (d) and (f) of the Criminal Code of Canada with the aim of ensuring that gaming activity is conducted honestly, with integrity, and in the public interest. It reports directly to the Minister charged with the administration of The Gaming Control Act.

MGCC conducts research and gathers information to support gaming policy advice that it provides to the Minister. MGCC is responsible to register MLC gaming and non-gaming

suppliers, MLC employees, commercial and First Nation VLT siteholder agreements (see **Appendix I**), table games, VLTs, and all other electronic gaming machines.

In addition to approving all First Nation casino employees and suppliers, MGCC must approve all individuals or entities that hold an ownership interest and provide financing to the First Nation casino operator, as well as all officers and directors of each operator. First Nation casinos are subject to the same procedures for technical integrity as the other casino operations in the Province.

MGCC is also responsible to license and monitor charitable gaming activities in the Province including bingo, breakopen ticket events, raffles and other types of charitable gaming activities with the exception of municipal charitable gaming licenses for raffles with prizes under \$3,000, and FNGC licensed events.

2.3 FIRST NATION GAMING COMMISSIONS

The initial First Nation Gaming Commission (FNGC) agreement in Manitoba was signed on January 9, 1990 between the Province and the Opaskwayak Cree Nation (formerly The Pas). First Nations gaming in Manitoba currently includes charitable gaming activities, the operation of VLTs, and one First Nation Casino. On-reserve charitable gaming activities include bingo, breakopen ticket events, and raffles.

First Nations may establish their own gaming commission or obtain MGCC licensing to regulate charitable gaming activities on-reserve. The MGCC, on behalf of the Province, negotiates the terms of the gaming agreements with those First Nations wishing to establish on-reserve gaming commissions. An FNGC (see **Appendix H**) is a body appointed by Chief and Council and authorized by Provincial Order-in-Council. Essentially, the FNGCs carry out identical roles, and have the same responsibilities that MGCC would have in respect of on-reserve gaming in the absence of a FNGC. The purpose of an FNGC is to regulate and monitor charitable gaming activities on-reserve. FNGCs approve and issue charitable gaming licenses, resolve disputes, monitor and ensure gaming integrity, as well as suspend or cancel licenses. These FNGCs are intended to perform the same licensing functions as MGCC. Every charitable gaming license issued, either through an FNGC, or MGCC is intended to be subject to the same terms and conditions. FNGCs may charge an administrative fee to each organization it licenses to offset operating costs.

When an FNGC agreement is signed, MGCC's Native Gaming Department comprised of three employees, supplemented by other MGCC staff, has an important role in the functions of the FNGCs. MGCC representatives work with the FNGC to ensure that its members are properly trained and have the necessary tools and information to oversee charitable gaming on the reserves.

2.4 ROLE OF MGCC'S LEGISLATIVE REVIEW COMMITTEE

MGCC's Board of Commissioners established its Legislative Review Committee in August 2001. The Gaming Control Act in Manitoba was passed in 1996, and since then, there have been a number of changes to gaming policies and practices in Manitoba and other jurisdictions. Some of these changes have occurred as a result of issues such as the re-examination of the meaning of responsible gaming, new research studies, and First Nations Gaming. In order to address these issues the Legislative Review Committee has

been reviewing MGCC's enabling legislation. The Committee has completed this review and the Board of Commissioners submitted its recommendations to the Minister responsible for The Gaming Control Act in January 2003.

3.0 Dakota Tipi First Nation Gaming Review

3.1 DAKOTA TIPI FIRST NATION

At commencement, and throughout the period of the review, all physical operations of the Dakota Tipi First Nation (DTFN), including the band office, charitable gaming, VLTs and gas bar, were closed and all former employees laid off. A level of tension, intimidation and occasional violence on the DTFN continued throughout the review period. These factors contributed to difficulties in locating and accessing records related to gaming activities on the DTFN, as well as obtaining cooperation from certain individuals formerly involved or employed in gaming activities on the DTFN.

An issue noted during the review process was that the various financial entities on the DTFN, including the DTFN itself at times, appeared to lack the financial resources or access to the financial resources to fulfill their financial obligations to continue operations. This situation resulted in instances where operating expenses of one entity were paid by another entity, several entities pooling their cash resources on hand to pay an operating expense of one of the entities, or one entity advancing funds to another. In addition to inter-entity transactions between the charitable gaming, VLT and DTFN operations, there were inter-entity transactions with two other DTFN entities, the Dakota Tipi Gas Bar (DTGB) and Portage Family Golf Land Ltd., commercial entities which were not included in the scope of this review.

The DTGB was physically located across the street from the Bingo Palace facility and was owned and operated by the DTFN until December 2001. Effective December 10, 2001, the DTGB was privatized, and became known as S&L Gas Bar. With respect to gaming activities, the DTGB received advances on several occasions from both the charitable gaming and VLT operations to support their financial operations. In the summer of 2002, the gas bar facility was destroyed by fire. According to our understanding, Portage Family Golf Land Ltd. was incorporated in October 2001 to develop and operate a golf driving range in the City of Portage La Prairie. While no shareholders are listed in the legal registry, the son of the former Chief is listed as the sole director.

3.2 DAKOTA TIPI GAMING COMMISSION

The Province of Manitoba and the DTFN entered into a gaming agreement on August 11, 1994 (see **Appendix C**). In return for the right to assert authority over charitable gaming activities on the DTFN, the DTFN was to establish a Dakota Tipi Gaming Commission (DTGC) within ninety days of the agreement, which would:

- Represent the Band and be bound by the agreement; and
- License and regulate lottery schemes, as defined in Section 207(4) of the Criminal Code of Canada, within the First Nation lands.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

Although the timing of the August 1994 agreement predates the period of this review, our discussions with MGCC staff indicate that the gaming activities of the DTFN from the date of the agreement were not conducted in complete compliance with the gaming agreement with the Province. Despite numerous requests by MGCC staff (MLC staff prior to the establishment of MGCC), audited financial statements of the DTGC from 1994 to 1998 were never submitted to the Province. Further, illegal or unlicensed gaming activities were allegedly conducted on a regular basis at the DTFN. In 1999, the RCMP seized 25 illegal slot machines being used at the DTFN.

More recently we noted the re-creation of the DTGC on two occasions according to two Band Council Resolutions dated January 7, 2000 and January 16, 2001. A letter dated January 16, 2001, from the DTGC to the MGCC acknowledges the DTGC's agreement to comply with the terms and conditions set out by the MGCC in issuing licenses and operating charitable gaming events on DTFN.

In January 2001, DTFN entered into a VLT siteholder agreement with MLC (see **Appendix D**) to operate 25 VLTs on DTFN. A term (Section 6[a]) of this agreement was compliance with the 1994 gaming agreement with the Province of Manitoba.

Findings

- Coinciding with the timing of the two Band Council Resolutions to create the DTGC, in both early 2000 and 2001, documentation and interviews supported a heightened level of concern on the part of DTFN administration and the DTGC to become and remain in compliance with the original gaming agreement and MGCC regulations. These two points in time coincide with the timing of other potential gaming opportunities for DTFN including the Native Casino initiative of the Province of Manitoba in late 1999, and the ongoing pursuit of VLTs for the First Nation in both 2000 and 2001. In early 2001, DTFN was successful in its bid to obtain VLTs on the First Nation with the provision that the DTFN abide by the original gaming agreement and MGCC regulations.
- On the advice of the former Chief of the DTFN, persons were requested to participate on the DTGC Board. Expectations were that the people selected would participate.
- We found no evidence of any meeting minutes or notes to support any activity of the DTGC Board. No Board meetings, with the exception of a possible initial meeting in 2000, ever took place. Board members had limited, if any, knowledge of their responsibilities. Members of DTGC were requested to, and attended, an initial training session put on by representatives of MGCC.
- The Board of DTGC exercised little or no authority over gaming activities on the DTFN. Any documented activities of DTGC appear to have been carried out by the licensing manager, with little or no input from the Board of Directors.
- The limited activity of DTGC indicates the provision of:
 - Two licenses in March 2000 to The Community Social Development Fund and the Wacipi Club, each for a three month period. The

application and supporting information are incomplete. No evidence of renewal of either license was available.

- A license in January 2001 to the DTFN for a three month period, and a subsequent license in February 2001 to the Dakota Tipi Bingo Palace (Bingo Palace) with several renewals to December 16, 2001. There was no application or information to support the issuance of these licenses. No evidence of renewal past December 2001 was available.
- There was no evidence of any licensee application review process, prior to providing licensees with licenses. There was also no evidence of the existence of any required licensee reports.
- No separate bank account or financial records were maintained for DTGC. The only evidence that any financial activity was even contemplated is the existence of two invoices in March 2000 to the Community Social Development Fund and the Wacipi Club for the mark-up on bingo paper purchased by the organizations. However, there is no evidence to indicate whether these transactions were ever completed.

Conclusion

- *The DTGC did not operate in compliance with its gaming agreement with the Province. DTGC existed largely as an entity on paper, as actual operations were minimal. We believe it likely that the creation of DTGC by the band was taken primarily to increase the likelihood of acquiring the right to operate additional gaming activities, and that there was never any intention to operate DTGC as an effective regulator of charitable gaming on the reserve.*

3.3 DAKOTA TIPI CHARITABLE GAMING OPERATIONS

Charitable gaming at DTFN included holding bingo events and the sale of breakopen tickets during those events. All charitable gaming operations at DTFN took place at the Dakota Tipi Bingo Palace Inc. (Bingo Palace) facility during the entire period under review. Ancillary operations such as bingo supply, and canteen and drink sales were included with charitable gaming results, and were considered as part of the operations of the Bingo Palace. The Bingo Palace is incorporated as a Manitoba corporation without share capital. The undertaking of the corporation states the purpose of the corporation is to "operate bingos, the proceeds of which will be utilized to provide for the advancement of education and the relief of poverty for the people of the Dakota Tipi First Nation".

Findings

- Charitable gaming was conducted under a license granted to DTFN for the period January 16, 2001 to mid February 2001. Effective February 15, 2001, a license was issued to the Bingo Palace with several renewals to December 16, 2001. Subsequent to December 16, 2001 we found no evidence of a valid license.
- During January 2001, the Bingo Palace operated charitable gaming seven nights a week. Effective February 1, 2001, as part of an effort to comply with the original charitable gaming agreement with the Province, and to

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

bring charitable gaming activities into accordance with MGCC requirements, the Bingo Palace reduced charitable gaming activity to five nights per week. This practice continued through the balance of the period under review.

- An operations manual for the Bingo Palace, which includes information such as house rules, staffing requirements, bingo procedures, job descriptions, employee requirements and a complaint handling policy, exists.
- Charitable gaming each day consisted of a bingo event, defined as a fairly consistent number and series of bingo games, and the sale of breakopen tickets during the bingo event. Generally there was one bingo event per day, however on a limited number of days two bingo events were held.
- Staffing for charitable gaming activities included employees paid via bi-weekly payroll, as well as casual employees who were paid cash at the end of a bingo event.
- Daily or event summaries were prepared summarizing daily bingo sales and winnings, breakopen sales and payouts, canteen sales, bingo supply sales, and cash disbursements. The daily summary sheets were generally supported with a reasonable level of detail, however, the summaries were sometimes poorly documented, and lacked details and confirmation of recipients of cash disbursements. We were unable to locate daily summaries for 33 of 419 bingo events held during the period under review.
- Daily summary sheets were purportedly recorded into a computerized general ledger system at the band office. Certain of the expenses paid by cheque and payroll cheques were prepared utilizing accounting software at the band office. Supporting documents for cheques and payroll were maintained at the band office. We were unable to access or locate the general ledger or supporting documents for many of the expenses paid by cheque.
- Payment of expenses for casual workers, advances to employees, canteen and bingo supplies, door prizes, etc., with cash during each bingo event was a common occurrence.
- Records of MLC paper and breakopen ticket inventory were maintained during portions of the period under review, however there is no reference in these records with respect to serial numbers. The normal practise would be to check the use of serial numbered paper.
- In addition to the daily prizes, announced and won on a daily basis, there were several accumulator games played on a regular and ongoing basis. Daily summaries contained no information with respect to accumulator game prize pots, prize payouts or ongoing prize winning criteria.
- Accounting records indicate that merchandise and door prizes were purchased, however, there are no records to support the distribution of these items. Even for the event at which a car was given away, the daily summary sheet makes no reference to the vehicle prize or who received it.

Bingo and breakopen daily summary sheets should be completed accurately and completely, including full documentation of any cash paid expenditures.

Supporting documents for expenses paid should be maintained.

Any individuals receiving remuneration for work or a payroll advance, should be required to sign to confirm receipt of such payment.

FNGCs should ensure that they maintain control over the usage of serial numbered gaming products.

Daily summary sheets should include an accounting of all accumulator games currently in play at that event, including the opening pot, the event's additions to the pot, the ending pot and the nature of the requirement to win the pot at that event. Names of winners of large pots, over a certain threshold, should be recorded and winners asked to sign to confirm payment of prize pot.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

- Several different bank accounts were maintained during the period of review and have been incorporated into the analysis. This includes an account established in 2000 under the name of the Community Social Development Fund (CSDF), which was utilized during a portion of the period under review.
- We were unable to locate many original banking documents, however we were able to obtain copies of certain of those banking documents directly from the financial institutions. Inability to locate or access bank deposit information required the adoption of certain assumptions in the financial analysis undertaken.
- As charitable gaming activities on DTFN had historically been held for the benefit of DTFN, a sense of confusion and differences of opinion appeared to exist on DTFN as to what the appropriate structure of the charitable gaming operations should be. As there was effectively only one "licensee" on DTFN, perceptions were blurred as to the difference between the FNGC, and bingo operations taking place at the Bingo Palace. Questions existed whether the Bingo Palace itself could be the licensee, or whether a separate entity such as the CSDF needed to exist as the licensee. These questions lead to confusion and were instrumental in the utilization of various "entity" bank accounts during the review period.
- We were unable to locate, and doubt the existence of any quarterly reporting as required by MGCC regulations.
- In March 2001, charitable gaming on DTFN began utilizing MLC bingo paper and breakopen tickets in accordance with the original gaming agreement and MGCC regulations. Prior to that period, based on certain payments, it appears that paper and breakopen tickets were purchased from an alternate supplier in Winnipeg.
- When the charitable gaming began utilizing MLC paper in March 2001, inventories of existing bingo paper and breakopen tickets provided by suppliers other than MLC were not destroyed at that time.
- Additional bingo games, which were not part of the formal bingo event program, were held on a regular basis. These games, called "Share the Wealth" games, were run for the benefit of various groups and organizations from the surrounding area and DTFN. The games would take place, either prior to the main bingo event, or during intermission. They were generally single games where the Bingo Palace would supply the paper, and the group or organization would provide its own volunteers to sell the paper and work the bingo game. Proceeds were split equally between the group and the winner. Paper supplied was generally non-MLC paper, which existed in inventory at March 2001 when charitable gaming switched to MLC paper. The use of MLC paper is a requirement under MGCC regulations.

FNGCs should maintain original banking documents.

FNGCs should ensure that quarterly reports are received from each of its licensees.

FNGCs should use MLC paper as required under MGCC regulations. Use of non-MLC paper for gaming purposes constitutes illegal gaming.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

Request forms should be maintained and properly approved.

There should be a defined and transparent process to review and either approve or reject such requests.

- While we understand that request forms from DTFN residents or groups for "charitable support" were supposed to be completed, we did not find request forms for all payments. Request forms, which did exist, were not consistently signed to indicate approval. We also understand that approval rested with either the Chief of DTFN or the DTGC Licensing Manager.
- Where request forms were approved, the criteria for approval were not documented nor communicated to members of DTFN.

Conclusion

- *DTFN has breached its 1994 agreement with the Province of Manitoba by not maintaining appropriate records and supporting documents with respect to receipts and disbursements of charitable gaming revenue, and by failing to provide quarterly reports to DTGC on charitable gaming activities. Further, DTFN has breached the MGCC regulation by using bingo paper and breakopen tickets from suppliers other than MLC and operating in excess of five nights a week.*

3.4 ANALYSIS OF CHARITABLE GAMING PROCEEDS

The scope of this review included attempting to determine whether the use and distribution of funds raised via licenses issued by DTGC were in accordance with charitable gaming requirements, and whether evidence existed that potential criminal activity had taken place.

In response an analysis was prepared in the form of a source and use of funds statement. Due to the lack of access to certain records, the analysis required the incorporation of certain assumptions and estimates in arriving at the quantum of certain balances. While we believe these assumptions and estimates to be reasonable, the existence of these assumptions and analysis introduces a level of uncertainty into the results of the analysis.

As supporting documents for many expenditures were unavailable, determination of the nature of these expenditures was largely gathered through the explanations and recollections of people involved in the charitable gaming operations. These explanations were evaluated in light of other information gathered, and were included in the analysis as per the explanation, if that explanation appeared reasonable and realistic. Categorization of expenses was determined based on explanations provided, supporting documentation, or similar previous expenses.

In addition to the records initially sought and acquired, charitable gaming management provided additional records in the form of assorted receipts, notes, schedules and a ledger. These documents were considered in the analysis of expenditures.

Findings

- The overall review of financial operations indicated frequent shortages of funds to pay suppliers, staff and sometimes bingo winners. Due to shortages of funds, at times funds were advanced back and forth between the DTFN, VLT operations and the Dakota Tipi Gas Bar (DTGB). We have

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

concerns as to whether all these advances and repayments have been properly recorded.

- The shortage of funds resulted in numerous instances where cheques written were returned not sufficient funds (NSF). This in turn led to demands from suppliers and staff alike for payment in cash. Of over \$3,300 paid in bank charges during the period of review, over half relate to NSF and overdraft charges.
- There was not a consistent practice of depositing net bingo proceeds into the bank. Analysis indicates that for the period of review, of total actual and estimated net daily proceeds, after event cash paid expenses, only 87% were deposited in the bank.
- Total sources of funds included:
 - \$1,915,700 of gross proceeds from charitable gaming and associated operations at the Bingo Palace facility; and
 - \$11,400 of net advances from DTFN.
- Total uses of funds included:
 - \$1,467,300 in charitable gaming cash and merchandise prizes paid to winners and bingo event participants;
 - \$427,700 in expenses directly related to charitable gaming and the operations of the Bingo Palace facility, including wages and benefits of \$259,400.
- Consequently, excess cash from Bingo Palace operations, defined as gross revenue from bingo and related operations less prizes paid and operating costs (\$1,915,700 - \$1,467,300 - \$427,700) was \$20,700.
- Combining this excess cash from operations of \$20,700 with the net advance of \$11,400 from the DTFN results in remaining cash to account for of \$32,100.
- Of this \$32,100:
 - \$6,900 of expenditures were identified as going to charitable causes. Our review of these expenditures suggested that they meet the criteria of charitable purposes, as defined in the Criminal Code of Canada;
 - \$1,800 was identified as paid to individuals, some of whom we recognize as members of the community. We have been unable to determine the reason for these payments;
 - \$1,500 is noted as provided to the former Chief. According to the former Chief, these would be for items such as travel advances, which should be an expenditure of DTFN. We were unable to locate any documentary support for these advances;
 - \$2,300 was noted as paid out in amounts on the daily summary sheets, however there is no indication as to the recipients of these amounts. We have been unable to determine the recipient or reason for these payments;

Daily net proceeds should be recorded on a separate deposit slip for each day and deposited in a bank intact as soon as practicable.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

- Net advances of \$14,300 were provided to DTGB and represent cash advances to or payment of DTGB expenses by the charitable gaming operations on behalf of DTGB; and
- An advance of \$1,300 was provided to the VLT operations.
- Factoring in an opening bank balance at January 1, 2001 of \$1,600 and an ending bank balance of \$200, this leaves net cash unaccounted for of \$5,400. Given the assumptions and estimates included in the analysis undertaken, the amount of cash handled during the period under review, and concerns regarding the recording accuracy of inter-entity advances, this represents a relatively small unaccounted for balance and does not provide any conclusive evidence of missing funds.
- Under Part VII, Section 7.05 of the Terms and Conditions for Bingo/Breakopen events issued by MGCC, all licensees are required to maintain a separate bank account for the deposit of charitable gaming revenue, deposit all charitable gaming proceeds promptly into the bank account, and disburse all donations and expenses by cheque directly from the bank account, as per the approved license application. This was not done at DTFN during the period under review. Charitable gaming proceeds and expenses at DTFN were comingled with the ancillary operations of the Bingo Palace.
- Section 7.04 of the Terms and Conditions for Bingo/Breakopen events indicates that only actual and reasonable expenses (excluding prizes, rent, license fees and cost of product) shall be allowed and may not exceed 10% of gross bingo revenue. If DTFN had complied with this provision our estimate of the excess cash from bingo events held at the Bingo Palace for the period under review should have been in excess of \$130,000.
- The difference of \$109,300 (\$130,000 - \$20,700) was used by DTFN in other areas of its operations which may have been appropriate if DTFN had obtained a license from the DTGC in accordance with established guidelines. However, as noted previously, there was no application or information to support the issuance of any licenses by the DTGC.

Conclusions

- *During the course of our review of charitable gaming activities at DTFN, we did not uncover any evidence to suggest charitable gaming proceeds being used to support criminal activity.*
- *Proceeds from charitable gaming activities at DTFN have inappropriately been used for purposes other than charitable or religious objects or purposes, which is a legislative requirement under the Criminal Code of Canada. Based on the analysis approximately \$13,800 (the excess cash from bingo operations of \$20,700 less \$6,900 of expenditures which met the criteria of charitable purposes) may have been used inappropriately, however it is not possible to determine the exact amount due to the missing documentation.*

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

- DTFN charitable gaming events were not accounted for in accordance with the Terms and Conditions for Bingo/Breakopen events established by MGCC.
- Internal control procedures at DTFN over the charitable gaming proceeds were essentially non-existent. Charitable gaming proceeds were not always deposited in the bank, expenditures were paid by cash routinely and supporting documentation for expenditures made by cash or cheque was not available in many instances.

3.5 DAKOTA TIPI VLT OPERATIONS

Under terms of a First Nation VLT siteholder agreement, dated January 19, 2001 (see **Appendix D**), DTFN commenced the operation of 25 VLTs on March 6, 2001 in a room adjacent to the bingo area in the Bingo Palace facility. VLTs operated six nights per week, Monday to Saturday, until July 17, 2002. Subsequent to the discontinuance of operations, the VLTs were physically removed by MLC at the request of the VLT manager, citing concerns over security of the equipment.

Under terms of the agreement, DTFN received 90% of the net proceeds of the VLTs as a commission (this is in contrast to a standard commercial agreement in which the siteholder receives 20% and the MLC receives 80% of the net proceeds). From this commission DTFN was required to pay a one-time administration fee of \$5,650 per machine and an annual registration fee of \$150 per machine. Currently, there is no formal reporting requirement to either MLC or the Province as to the use of their net revenue.

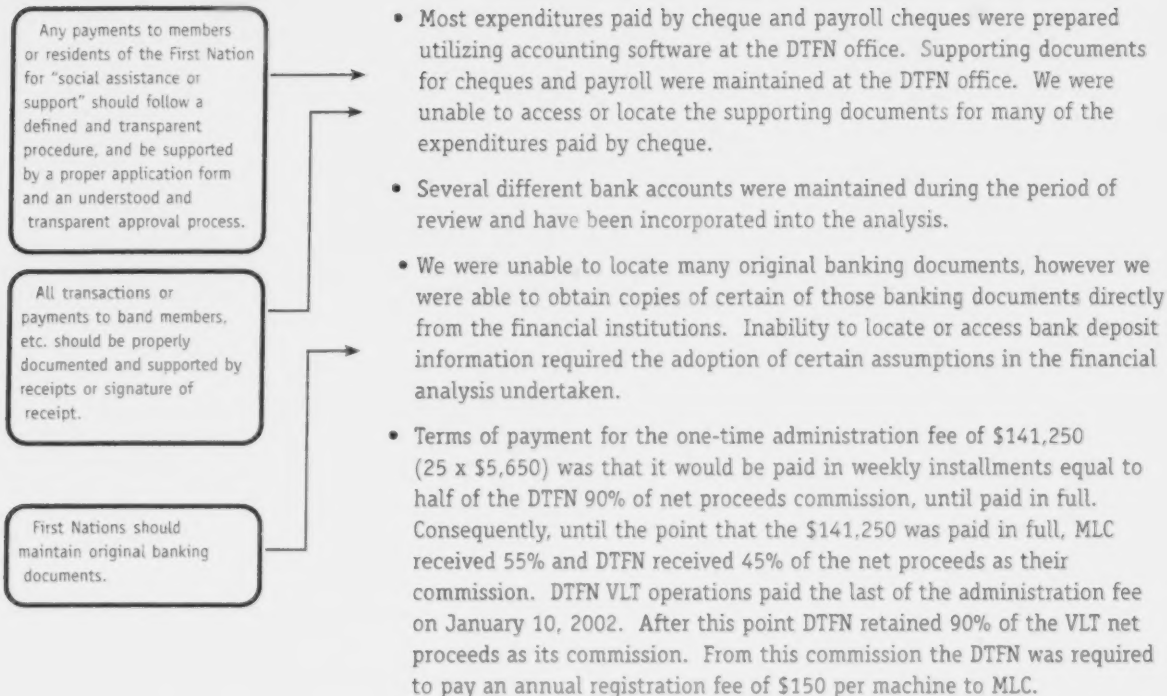
Findings

- DTFN treated the VLT operations as a separate accounting entity with its own bank account. DTFN advanced the VLT operations \$12,500 to fund initial cash on hand requirements for daily operations.
- As all individual VLT machines are centrally monitored and controlled by MLC, hours of operation and payouts are known to MLC.
- A daily summary sheet was prepared summarizing the sales, payouts and cash activities for each shift, as well as any cash disbursements for small expenses. The daily summary sheets were generally prepared at a reasonable level of detail, however the summaries were sometimes poorly documented and lacked supporting documents or confirmation of recipients of cash disbursements. We were unable to locate daily summaries for 107 of 425 days of operation during the period under review. Even though MLC can provide gross sales and payouts for each day of operations, missing daily summary sheets likely contain records of cash expenses paid.
- Payment in cash of expenditures for items such as casual workers, advances to employees and those related to free coffee, donuts and pizza on certain nights was a common occurrence.
- Staffing throughout the period of review was fairly consistent with little turnover. Employees were generally paid via bi-weekly payroll. Use of casual employees was limited.

Daily summary sheets should be completed accurately and completely, including full documentation of any cash paid expenditures.

Any individuals receiving remuneration for casual labour or a payroll advance, should be required to sign to confirm receipt of such payment.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA



Conclusion

- *We were unable to determine whether all VLT monies earned by DTFN were appropriately disbursed due to the missing daily summary sheets and missing documentation to support many of the expenditures paid by cash or cheque.*

3.6 ANALYSIS OF VLT PROCEEDS (DTFN PORTION)

The scope of this review included attempting to determine the use and distribution of VLT proceeds, and to determine whether evidence existed that potential criminal activity had taken place.

In response an analysis was prepared in the form of a source and use of funds statement. Due to the lack of access to certain records, the analysis required the incorporation of certain assumptions and estimates in arriving at the quantum of certain balances. While we believe these assumptions and estimates to be reasonable, the existence of these assumptions and analysis introduces a level of uncertainty into the results of the analysis. In this analysis, for informational and analysis purposes, expenses directly related to operations of the VLT operations were differentiated from all other payments or expenses.

This overall review of financial operations indicated advances to, and payment of expenses of, other DTFN entities including DTFN, charitable gaming operations, DTGB and Portage Family Golf Land Ltd. We have concerns as to whether all of these advances and payments have been properly recorded.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

As supporting documents for many expenditures were unavailable, determination of the nature of these expenditures was largely gathered through the explanations and recollections of people involved in the VLT operations. These explanations were evaluated in light of other information gathered, and were included in the analysis as per the explanation, if that explanation appeared reasonable and realistic. Categorization of expenses was determined based on explanations provided, supporting documentation, or similar previous expenses.

In addition to the records initially sought and acquired, management provided additional records in the form of assorted receipts, notes and schedules. These documents were considered in the analysis of expenditures.

Findings

- During the period of review, of total actual net daily proceeds after daily cash paid expenses, only 76% was deposited in the bank. While 24% of net daily proceeds was not deposited in the bank, our analysis accounted for 100% of gross VLT proceeds.
- During the period when DTFN was paying off the initial administration fee for the machines, which ended the first week of January 2002, the VLT operations did not provide significant excess cash flow, after the costs of operations were paid and funds were advanced to related entities.
- Total sources of cash included:
 - \$1,793,100 of gross VLT proceeds;
 - \$12,900 of funds advanced from DTFN to support operations of the VLTs including \$12,500 as an initial advance to provide a cash float at commencement of operations; and
 - \$1,100 of net funds advanced from the charitable gaming operations.
- Total uses of cash included:
 - \$1,260,800 in VLT payouts returned to customers; and
 - \$398,200 of expenses directly related to the operations of VLTs including \$203,600 paid to MLC and \$130,000 in wages and benefits.
- Consequently, excess cash from VLT operations, defined as gross proceeds from VLTs less payouts and operating costs (\$1,793,100 - \$1,260,800 - \$398,200) was \$134,100.
- Combining this excess cash from operations of \$134,100 with advances of \$12,900 and \$1,100 from DTFN and charitable gaming respectively, results in remaining cash to account for of \$148,100.
- Of this \$148,100:
 - \$4,000 was paid to Soaring Eagle Accounting Ltd. under terms of their co-management agreement with DTFN;

Daily net proceeds should be recorded on a separate deposit slip for each day and deposited in a bank intact as soon as practicable.

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

- \$9,300 was identified as paid to various persons; most of whom we understand are, or were, band members or residents. Based on the review of records provided and information gathered through interviews, we have determined an explanation for all but three amounts paid totaling \$3,100;
 - \$6,400 is identified as unsupported payments to the former Chief of DTFN. No supporting documentation was available for our review;
 - \$5,700 was noted as paid out on the daily summary sheets, however there was no indication as to the recipient(s) of this amount. We have been unable to determine the recipient(s) or reasons for these payments;
 - \$18,400 of advances repaid or expenses paid on behalf of DTFN were noted. Several items were DTFN issued cheques which were cashed by the VLT operations, but not deposited to the VLT bank. When queried as to why these were not deposited, VLT management stated that they were aware at the time that DTFN did not have sufficient funds in their account, so they would have just been returned NSF;
 - \$17,400 of net advances related to advances and repayment of advances to DTGB to assist them in the payment of their operating expenses; and
 - \$19,200 of disbursements compiled from various notes and recollections provided by the VLT manager. The notes provided by the VLT manager are rudimentary at best and most often lack detail as to the recipient of the funds. According to the VLT manager, this represents only a fraction of the cash he distributed during the period under review.
- Factoring in an opening bank balance at March 6, 2001 of \$60 and an ending bank balance of \$1,000, this leaves net cash unaccounted for of \$66,700, or \$85,900 if the notes and recollections of the VLT manager are not factored in. Despite the potential inaccuracies in the analysis due to the inclusion of assumptions and estimates, this represents a significant amount of cash that could not be accounted for.
 - The VLT manager advised us that several uses of cash on hand, which he could recall, but could not quantify or provide full documentary support for, included:
 - The use of funds to pay an individual to swear a false affidavit in January 2002;
 - The payment of legal fees incurred in the dispute with a dissident group;
 - The payment of travel expenses for certain individuals from Swan River to Winnipeg to make court appearances; and
 - Payments for the gathering and provision of "intelligence" on members of a dissident group.

However, he was unable to provide more than general information about other cash disbursements and was unaware of the magnitude of unaccounted for cash.

- Despite the fact that the VLT manager was the ultimate custodian of the proceeds of VLT operations, we did not locate any documentation, which provides conclusive support, to suggest that the VLT manager personally received or benefited from the proceeds of VLT operations.
- While the amount unaccounted for is significant, there are factors noted during our review, which lend some support to the VLT manager's assertion that funds were used to pay people and expenses of other entities. These are:
 - Other Dakota Tipi entities, including DTFN, were often short of funds and looked to the VLTs as a source of cash, as there were no mandated restrictions on the use of VLT commissions; and
 - Effective April 1, 2002, several band employees were laid off and band administration taken over by third party management, leaving the Bingo Palace and VLT operations as the only source of funds available to the former administration.
- The former Chief indicated that he was unaware of the extent of unaccounted for cash from the VLT operations, however he did indicate that he had sought for many years to instill a level of accountability with respect to all DTFN operations. He cited several examples of attempts he had made to provide adequate training to various DTFN personnel as well as the co-management agreement with Soaring Eagle Accounting Ltd., where they were to assist in establishing proper financial accounting and reporting processes leading to a level of accountability. According to the former Chief certain DTFN staff refused to participate in the training programs offered, and did not cooperate with Soaring Eagle Accounting Ltd. regarding the agreement to manage the operations of the DTGC.
- With respect to the former Chief, other than documented amounts supported by receipts or daily summary sheets, there is no further conclusive evidence to support the further receipt of funds by the former Chief, other than statements made by the VLT manager and another individual, regarding demands for money by the former Chief or instructions by the former Chief to provide funds to others or pay expenses.

Conclusions

- *We are concerned about the appropriateness and legality of certain uses of VLT proceeds with respect to the existence of evidence where the proceeds of VLTs may have been used for criminal activities. These situations may warrant further review.*
- *Accountability for the use of VLT proceeds after April 1, 2001 was virtually non-existent as a result of an almost total lack of internal controls.*

- *Internal control procedures at DTFN over the VLT proceeds were definitely inadequate. VLT net proceeds were not always deposited in the bank, expenditures were paid by cash routinely, and supporting documentation for expenditures made by cash or cheque was not available in many instances.*

4.0 Review of Soaring Eagle Accounting Ltd. Involvement With Dakota Tipi First Nation and MGCC

In July and August 2002 prior to the commencement of the special operating review of the DTGC and gaming revenues, there was a significant number of media reports concerning agreements between Soaring Eagle Accounting Ltd. (Soaring Eagle), DTFN and MGCC. The following sequence of events has been prepared to recap the various agreements between DTFN and other organizations. Related information is also provided in this sequence of events for clarification purposes.

4.1 SEQUENCE OF EVENTS

- On March 4, 2002, a co-management agreement was signed between DTFN and Soaring Eagle. This co-management agreement was for a 14-month period commencing March 1, 2002 and included assisting with the day to day financial activities of DTFN's operations and its related organizations, including the Bingo Palace.
- On March 27, 2002, the Minister of Indian and Northern Affairs Canada advised the Chief and Council of Dakota Tipi that on April 1, 2002 a Third Party Manager would be appointed to administer, on behalf of the First Nation and the Department of Indian and Northern Affairs Canada (INAC) the delivery of programs and services to the membership until such time as an election for Chief and Council occurred.
- Effective April 2, 2002, The Exchange Group was appointed as the Third Party Manager by INAC to manage all funding provided to the DTFN by INAC.
- As a result of the appointment of Third Party Managers for DTFN, Soaring Eagle was no longer responsible for managing INAC funding. This had been a significant part of their responsibilities under the March 4, 2002 co-management agreement with DTFN.
- On April 12, 2002, a Consolidated Contribution Agreement was signed between Health Canada and Soaring Eagle on behalf of DTFN. Under this agreement Soaring Eagle was to manage Health Canada funding on behalf of DTFN effective April 1, 2002.
- Under the terms of their FNGC agreement with the Province, DTGC was required to submit its annual audited financial statements to Manitoba (operationally being MGCC). In order to comply with their agreement, DTFN negotiated with Soaring Eagle to help them prepare the necessary

accounting records and draft financial statements. Once this information was compiled, Soaring Eagle was to arrange for a firm to audit the records.

- Soaring Eagle provided MGCC staff with a draft operating agreement and requested MGCC input at a meeting in July of 2002. MGCC staff reviewed the draft operating agreement and recommended a number of changes. The proposed fee structure included under these draft operating agreements was originally 15% of the gross gaming receipts (see **Appendix E**) and was eventually changed to 15% of the VLT gaming receipts. Both of these fee structures would have been a violation of the VLT siteholder agreement in place at that time between DTFN, and MLC, unless approved by MLC. Section 6(am) of the DTFN VLT siteholder agreement with MLC states that: *"The Siteholder shall not enter into any agreement which entitles any person to receive any amount which varies based on revenues from VLTs located at the Site, without the express written consent of the Corporation"*. Unfortunately, MGCC staff involved in these discussions advised us that they were not aware, at this time, that the proposed fee structure could be breaching a term of the siteholder agreement.
- On July 12, 2002, the agreement (see **Appendix F**) between DTFN and Soaring Eagle was signed whereby Soaring Eagle would manage the operations of DTGC. This agreement was effective July 12, 2002 and fees were set at 15% of the VLT gaming receipts. In order to demonstrate to MGCC that DTGC had begun the process to have financial statements prepared, a copy of this agreement was provided to MGCC. There are no provisions in the FNGC agreements that require FNGCs to provide MGCC with business agreements they enter into. Normally MGCC is not privy to such agreements.
- On July 22, 2002, MLC disabled DTFN VLTs, and on July 23, 2002 Soaring Eagle wrote a letter to the Chief of DTFN, with a copy to MGCC, indicating that they had been unable to perform their duties under their agreement with DTFN due to the lack of cooperation by certain First Nation staff responsible for gaming activities at DTFN. In this letter, Soaring Eagle indicated they would resign if they did not get complete support by July 26, 2002.
- On July 29, 2002, the Minister charged with the administration of The Gaming Control Act announced in the legislature their intention to undertake a special operating review of DTGC and gaming revenues.
- On July 29, 2002, the MLA for Russell tabled the July 12, 2002 agreement between DTFN and Soaring Eagle, and indicated that the fee structure under the agreement called for Soaring Eagle to receive 15% of the VLT gaming receipts.
- According to MGCC staff it was on July 29, 2002, after the tabling of the July 12th agreement, when they first noted the contravention of the VLT siteholder agreement. At that time they advised the Minister and MLC of this finding.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

- On July 30, 2002, the Minister charged with the administration of The Gaming Control Act indicated in the legislature that the July 12th agreement between DTFN and Soaring Eagle was not appropriate given the terms of the VLT siteholder agreement, and that MLC officials would be following up on the matter.
- On August 1, 2002, the Province through Order-in-Council revoked the FNGC agreement with DTGC pending the outcome of the special operating review.
- On August 2, 2002, Soaring Eagle advised the Chief and Council of DTFN by letter (see **Appendix G**), with a copy to MGCC, that they were resigning from their agreement with DTFN. In this letter, Soaring Eagle cited the continued lack of cooperation from First Nation members responsible for gaming activities on the reserve as the reason for their resignation.

Conclusion

- *The operating agreement to manage the operations of the DTGC, between Soaring Eagle Accounting Ltd. and DTFN was inappropriate, because the compensation arrangements therein contravened the DTFN VLT siteholder agreement. We believe that Soaring Eagle Accounting Ltd. took prudent steps to prevent such a situation from occurring by seeking advice and counsel from MGCC prior to entering into the agreement.*

5.0 Gaming Legislation in Manitoba

Findings

- Section 207(1)(a) of the Criminal Code of Canada provides for a province to conduct and manage a lottery scheme in accordance with any law enacted by the legislature of that province. In Manitoba, the Manitoba Lotteries Corporation Act appointed MLC to "conduct and manage" gaming in the Province.
- Section 207(1)(b) of the Criminal Code of Canada provides that the Lieutenant Governor in Council of a province may specify a licensing authority to permit a charitable or religious organization to conduct and manage a lottery scheme in that province, if the proceeds from the lottery scheme are used for a charitable or religious object or purpose. In Manitoba licensing authorities are MGCC, FNGCs and municipalities.
- In 1995, the Manitoba Lottery Policy Review Working Group presented its report to the Government. A major recommendation of this report was that an independent Gaming Commission, arms length from MLC, be appointed immediately. That report suggested that MLC should report to this Gaming Commission which, in turn, would report to the Minister responsible for Lotteries. As per MLC this reporting structure was never implemented because it was determined to be operationally ineffective and could place MGCC in a conflict of interest position.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

- The Gaming Control Act for Manitoba was assented to on November 19, 1996. The intent and purpose of this Act was "to create an independent Commission to regulate and control gaming activity in the Province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest."
- MGCC began its operations on October 20, 1997. Under The Gaming Control Act for Manitoba, MGCC is responsible to regulate and control gaming activity in the Province which as set out in the Act includes those lottery schemes referred to in Sections 207(1)(b), (c), (d), and (f) of the Criminal Code of Canada. However, the Act does not include Section 207(1)(a) of the Criminal Code of Canada (which has been discussed above) as a gaming activity, and therefore is not included under the authority of MGCC to regulate and control.
- The present relationship between MLC and MGCC is as follows:
 - MLC does have a formal businesslike relationship with the MGCC in that it forwards names of prospective employees, suppliers, new games requiring assessment as to integrity;
 - By reason of its exclusive authority and mandate, MLC has no accountability to MGCC as to its determination as to how gaming is conducted in the Province; and
 - MLC as an operator (not in its role as a "conduct and manage" authority) is obliged to participate with patrons as to an MGCC resolution of an operational conflict with a patron.
- Under the terms and conditions of license applications issued under The Gaming Control Act, all bingo paper and breakopen tickets (gaming products) must be purchased from MLC. However, there are a number of companies in Manitoba that also sell gaming products. Under current legislation in Manitoba, it is not illegal for these companies to sell the gaming products to an unlicensed or non-registered person or organization. However, it is illegal for any non-registered person or organization to use these gaming products for gaming purposes.
- We reviewed The Gaming Control Act of Ontario and discussed specific sections of this Act with staff of the Alcohol and Gaming Commission of Ontario. Under The Gaming Control Act of Ontario, all suppliers of gaming products have to be registered, and it is illegal for a registered supplier to sell gaming products to an unlicensed or non-registered person or organization.
- A concern brought to our attention during this review was the extent of unlicensed gaming in the Province, and the lack of MGCC authority to bring this illegal activity to an end. Under the current gaming legislation in Manitoba, MGCC staff have enforcement powers only on licensed gaming activities. If a person or an organization is conducting an illegal gaming event (not licensed) MGCC staff have no authority to intervene. MGCC staff indicated there are potentially between 10 to 14 First Nations, who are conducting illegal gaming activities, mainly bingo

events. According to MGCC staff, the RCMP have been made aware of this illegal activity.

Conclusions

- *MLC and MGCC organizations have different roles in controlling and regulating gaming activities managed by First Nations. The different roles of MLC and MGCC, together with weaknesses in controls over First Nations gaming as noted elsewhere in this report, indicate a need to strengthen the collaboration and communication between these two entities.*
- *The absence of prohibitions over the sale of gaming products to unlicensed or non-registered persons or organizations may be contributing to the existence of illegal gaming activities in Manitoba.*
- *Limitations in the powers of MGCC limit its ability to eradicate illegal gaming.*

6.0 Review of First Nation Gaming Commission Agreements

Currently, there are 32 First Nations (including DTGC where the Province has shut down all gaming activities) which have entered into an FNGC agreement with the Province (see **Appendix H**). MGCC represents the Province in the establishment of FNGCs and works with those First Nations that have chosen to establish its own gaming commission.

6.1 VARIATIONS BETWEEN PRE AND POST-1995 FNGC AGREEMENTS

Findings

- MGCC uses an "agreement template" for FNGC agreements that are entered into by Manitoba and each FNGC. According to MGCC staff the "agreement template" was revised in 1995. However the agreements signed previously have not been updated.
- Approximately 18 of the 32 FNGC agreements in place at this time were signed prior to the revisions made to the agreement template in 1995. Some of the more significant limitations of these 18 agreements are:
 - The terms and conditions of licenses issued by FNGC are only required to be *similar in principle* to terms and conditions, which apply to licenses issued by MLC (prior to the establishment of MGCC in 1997). The revised agreement template requires that the terms and conditions of licenses issued by FNGC be the *same as* terms and conditions that apply to licenses issued by MGCC;
 - The requirement for independent audits does not specify whether it is intended to cover an audit of FNGC operations, an audit of the gaming activity licensed by FNGC, or both. The revised agreement template is more specific as it indicates that an audited financial statement of lottery activities of FNGC must be provided on an

annual basis to Manitoba (MGCC), within 90 days of the FNGCs fiscal year end;

- Management letters and any accompanying internal control recommendations made by the auditor are not required to be submitted with the audited financial statements to MGCC;

For example, for the year ended March 31, 2001, the external auditors of DTFN qualified their opinion on the financial statements and provided the DTFN with an extensive management letter highlighting serious internal control deficiencies over the accounting records for DTFN, the Bingo Palace and DTGB. This management letter was not provided to MGCC. The pre-1995 agreement between MGCC and DTGC did not require this to be submitted. Had this been provided, MGCC would have been able to act sooner in addressing DTGC issues; and

- Some FNGCs, under their agreements, are allowed to purchase gaming products from suppliers other than MLC. MGCC staff advised us that to the best of their knowledge, as at November 2002, FNGCs are purchasing all their gaming products from MLC.

Conclusion

- *The existence of different agreements with FNGCs creates the risk that gaming activities will not be operated, monitored, and controlled on a consistent basis.*

6.2 FNGC AGREEMENTS – ACCOUNTABILITY AND TRANSPARENCY

Findings

- The current accountability clause states that annual audits of gaming activity will be provided by FNGC to MGCC. MGCC has interpreted this clause to mean that FNGC submit an annual audited financial statement of FNGC operations each year.
- Financial information for all FNGCs is not being reported on a similar basis. Some FNGC financial statements report only the activity of FNGC, while others incorporate licensee operations. The FNGC Manual, provided by MGCC to each FNGC, includes a format for standard annual audited financial statements of FNGCs. Under this format the financial statements of FNGCs are intended to report the activities of the FNGC itself, and are not intended to include the operations of its licensees.
- The FNGC Manual also clearly indicates the responsibilities of FNGC concerning gaming licensing. These responsibilities include developing and applying standards for the inspection, and audit of licensed gaming events, and enforcing the terms and conditions of licenses.
- There is no provision in the FNGC agreement templates that requires First Nations to advise MGCC of any changes to the makeup of FNGC.

- Under the FNGC agreement templates there is no requirement for the formal reporting, by FNGCs, of the use of gaming revenues earned as a result of the gaming licenses issued by FNGC. However, each licensee is required, under the terms and conditions of the license application, to prepare and forward a statement of net proceeds and a statement of disbursements for their lottery activity on a quarterly basis to FNGC.
- MGCC has no procedures in place to determine how much money is being generated each year through charitable gaming activities licensed by FNGCs.
- Under the FNGC agreement templates there is no requirement that the annual audited financial statements of FNGC should be made available to the members of the First Nation.
- Under the FNGC agreement templates there is no requirement for the development or implementation of conflict of interest guidelines with respect to gaming on the First Nation. During our review of MGCC documentation relating to the operations of FNGCs, we noted instances, identified by MGCC staff, where members of an FNGC were also directly involved in gaming activities licensed by that FNGC which is clearly a conflict of interest concern. One such example is a situation where the FNGC licensing manager also operated the bingo events with help from volunteers.
- As of November 1, 2002, MGCC did not have a formal policy and procedures concerning FNGC inspections, and had not performed formal reviews or inspections of FNGCs on a regular basis.
- MGCC is unable to confirm that FNGCs are all operating in accordance with their respective agreements. This is a consequence of the fact that no formal reviews or inspections were performed of FNGCs until November 2002, and due to the fact that there is presently inconsistent reporting of FNGC operations through their annual audited financial statements.
- Through our discussions with MGCC staff we understand that a policy concerning FNGC inspections is now in place, and that inspections started in November of 2002.
- Prior to MGCC's recent FNGC inspection policy, if complaints were received, or if issues were identified through a review of the information received (annual audited financial statements, management letters) by the MGCC from FNGCs, MGCC would perform an FNGC site visit.

Conclusions

- *Weaknesses in accountability reporting and MGCC monitoring practices, creates an undue risk that gaming activities on-reserve may not be conducted honestly, with integrity and in the public interest.*
- *The absence of formal FNGC inspections by MGCC prior to November 1, 2002 created an undue risk that some FNGCs may not have been functioning in accordance with the terms of their FNGC agreement.*

6.3 FNGC AGREEMENTS – PROVINCIAL OVERSIGHT

Findings

- Each FNGC agreement (pre and post-1995) is between Manitoba and the First Nation.
- Although it is not specifically identified in the FNGC agreements, MGCC is responsible to monitor FNGC operations. However, FNGC agreements do not provide MGCC with formal authority to suspend an FNGC that may not be complying with the terms of its agreement.
- The termination provisions of the FNGC agreements indicate that either party to the agreement (Manitoba and the First Nation) may terminate the agreement by providing notice in writing to the other party. Under the post-1995 agreements 30 days notice is required while the pre-1995 agreements require 90 days notice. There are no termination provisions included in the FNGC agreements that apply specifically to MGCC.
- FNGC structure, as per the MGCC manual, leaves ultimate accountability for gaming activity entirely with the Chief and Council, with no formal reporting requirement to MGCC. The only accountability to the Province of Manitoba is the requirement to provide annual audited financial statements of FNGC. There is a perception that MGCC bears responsibility for gaming activities of a First Nation, however the FNGC agreement grants that responsibility to the First Nation, and provides little ability for the MGCC to enforce gaming regulation.
- Essentially, the FNGCs carry out identical roles and have the same responsibilities that MGCC would have in respect of on-reserve gaming in the absence of a FNGC. The MGCC operates with a staff possessing a cross-section of specialized skills required to assess license applications, review and assess financial statements and results, investigate and resolve compliance matters and investigate and resolve complaints from participants in gaming activities.

Conclusions

- *The absence of effective authority of MGCC to terminate or alter gaming arrangements when appropriate, reduces MGCCs ability to ensure that on-reserve gaming activities are conducted honestly, with integrity, and in the public interest.*
- *Given that the management of gaming activities requires a cross-section of specialized skills, FNGCs may be facing a challenge in ensuring that such skills are in place.*
- *While we understand that DTFN may not be representative of other First Nations with FNGCs in terms of scale of charitable gaming operations and number of licensees, we are concerned that it may be an unrealistic expectation that each FNGC will be able to recruit and retain staff with the necessary expertise to establish a full service gaming commission on each First Nation.*

7.0 License Applications for Bingo/ Breakopen and Raffles - Terms and Conditions

Findings

- MGCC's license applications for bingo/breakopen and raffles include provisions that provide MGCC with the authority to audit or inspect the licensee records or accounts.
- First Nation groups or organizations that do not have an FNGC obtain charitable gaming licenses directly from MGCC.
- Under the terms and conditions of the gaming license applications issued by FNGCs, there is no provision to allow for the audit or inspection of the licensee records or accounts by MGCC.
- When an FNGC issues a gaming license the right to audit or inspect the licensee records or accounts rests with FNGC.

Conclusion

- *MGCC does not have formal authority to audit or inspect the licensee records or accounts for all charitable gaming licenses issued in the Province. As a result, all charitable gaming licenses issued may not be subject to the same level of control and monitoring. MGCC's authority to audit or inspect licensee records or accounts, whether MGCC or FNGC has issued the gaming license, is a significant control function that should be in place for all gaming licenses issued in the Province.*

8.0 First Nation Gaming Commission Annual Audited Financial Statements

Findings

- MGCC regularly tracks the receipt of FNGC's annual audited financial statements. According to FNGC agreements each FNGC must provide its audited financial statements on an annual basis to Manitoba (operationally being MGCC).
- The post-1995 agreements indicate that the financial statements must be submitted within 90 days of FNGC's fiscal year end, the pre-1995 agreements do not indicate a specific timeframe for the submission of the financial statements to Manitoba.
- MGCC staff review FNGC's annual audited financial statements and management letters, if provided, and prepare internal reports identifying areas where follow up work is required, or where further training of the FNGC may be necessary.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

- Our review of the information compiled by MGCC concerning FNGC annual audited financial statements for the three years ending March 31, 2000 to March 31, 2002 confirmed that there are some areas of concern as follows:
 - As at November 20, 2002 we noted that 50% of FNGCs had not provided audited financial statements due in the calendar year 2002.
 - Of the FNGC audited financial statements that were provided to MGCC for the calendar year 2002, one audit opinion was qualified.
 - As at November 20, 2002 we found that 30% of the FNGCs operating in 2001 and 2000 had not provided audited financial statements.
 - The audit opinions were qualified or denied for 9 of the 19 (47%) FNGC financial statements received for the calendar year 2001. For the calendar year 2000, 9 of the 19 (47%) FNGC financial statements received had audit opinions that were qualified or denied.
 - Management letters are not required to be submitted to MGCC under the pre-1995 agreements.
 - No management letters have been received by MGCC for the calendar year 2002.
 - Only one management letter has been received by MGCC for the calendar years 2001 and 2000 from those FNGCs that are required to submit management letters.
- MGCC staff advised us that they do significant follow up work (confirmed through a review of documentation) with FNGCs in an attempt to obtain the outstanding annual audited financial statements. However, MGCC has no formal policy and procedures concerning its role and follow up responsibilities with respect to the annual reporting submissions of FNGC operations.

Conclusion

- *The late receipt or non-receipt of annual audited financial statements and management letters of FNGCs significantly compromises MGCC's ability to monitor the activities of FNGCs.*

9.0 First Nation VLT Siteholder Agreements

Findings

- There were 598 VLTs located at 26 First Nation sites as at March 31, 2002 (see **Appendix I**).
- A First Nation VLT siteholder agreement is executed between MLC and each First Nation prior to the installation and operation of the VLTs. MGCC staff facilitate the negotiation and implementation of the VLT agreements between the First Nation and MLC.

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

- Under the terms of VLT siteholder agreements First Nations retain 90% of the VLT net proceeds as their commission. From this commission the First Nations are required to pay a one-time administration fee of \$5,650 per machine, and an annual registration fee of \$150 per machine to MLC.
- Figure 1 is a summary of the net revenue available to the First Nations from VLT operations for the years ended March 31, 2000 to March 31, 2002.

FIGURE 1

Net Proceeds Available to First Nations From VLT Operations				
	March 31			Three Year Total
	2000	2001	2002	
Number of First Nations VLT Siteholder Agreements	23	26	26	-
Number of VLTs	525	598	598	-
Net VLT Proceeds	\$14,130,496	\$16,498,058	\$18,068,225	\$48,696,779
Manitoba Lotteries Corporation Share (10%)	1,413,050	1,649,806	1,806,823	4,869,679
First Nations Share (90%)	\$12,717,446	\$14,848,252	\$16,261,402	\$43,827,100

Source: Manitoba Lotteries Corporation

- Under the First Nation VLT siteholder agreement, there is no requirement for formal reporting by the First Nation of the use of VLT revenues. There is also no requirement that the VLT revenues must be used to benefit the community.
- Under the First Nation VLT siteholder agreement, there is no requirement to make the annual audited financial report on VLT revenues and the use of those revenues available to the members of the First Nation.

Conclusion

- An absence of appropriate public information makes it difficult for First Nation members to hold relevant officials accountable concerning the extent and use of VLT revenues.

10.0 Learnings for FNGCs and First Nations

Many learnings resulted from our review of DTGC and its records. They are highlighted in the margins of this report for reference by other FNGCs and First Nations wanting to ensure that appropriate practises are followed and records maintained.

11.0 Recommendations

Dakota Tipi First Nation

- That the Province seek legal advice regarding:
 - Situations where the proceeds of VLTs may have been used for criminal activities;
 - The use of bingo paper and broken tickets sold by suppliers other than MLC for gaming;
 - The operation of bingos in excess of frequency permitted by MGCC regulations; and
 - The use of proceeds from charitable gaming activities, in some instances other than for charitable or religious objects or purposes.
- That the Province through MGCC and MLC continue to suspend all gaming activities at DTFN until such time as governance at DTFN is stable, and there is strong evidence to support that gaming operations can be conducted in a legal, appropriate and transparent manner for the benefit of the Community.

Gaming Legislation in Manitoba

- That the Government review the related roles of MGCC and MLC. The goal would be to assess whether there are alternative models that might lead to a more efficient and effective process for regulating gaming operated by First Nations.
- That the Gaming Control Act of Manitoba be revised to:
 - Prohibit the sale of gaming products to unlicensed or non-registered persons or organizations. The changes should include provisions to ensure all suppliers are registered with MGCC, and that under the terms of their registration each supplier may only sell gaming products to a licensed or registered person or organization.
 - Provide certain MGCC staff with special constable status which would give them authority to address issues of illegal gaming in a timely manner and to seize gaming products used in unlicensed gaming activities.

First Nation Gaming Commission Model

- That should the Province and MGCC decide that the FNGC model needs to be changed, they meet with representatives of First Nations in Manitoba to discuss potential alternatives. One alternative to consider would be the creation of a province-wide FNGC (FNGC of Manitoba) which would serve as the licensing authority for those First Nations that currently have their own FNGC. The FNGC of Manitoba could charge administration fees to each organization it licenses to offset operating costs (as is currently being done by the individual FNGCs) and through economies of scale would be in a better position to recruit and retain staff with a cross-section of specialized skills.

First Nation Gaming Commission Agreements

- We recommend that all agreements with FNGCs be made consistent with the post-1995 agreement template, and that all FNGC agreements be amended:
 - To clearly indicate that the audited financial statements are to include the activities of the FNGC itself and not the operations of the licensees.
 - To include the requirement for the auditor of the FNGC to have a separate engagement to provide a supplementary report with the audited financial statements forwarded to MGCC. The auditor's supplementary report should include an opinion as to whether the FNGC was maintaining adequate financial records, has developed standards for inspection and audit, has conducted inspections and audits of licensees, and is enforcing the terms and conditions of licenses. The supplementary report should also include an opinion from the auditor as to whether the FNGC was acting in compliance with the FNGC agreement.
 - To include a provision requiring the First Nation to advise MGCC, by Band Council Resolution, of any changes to the make-up of the FNGC.
 - To include the requirement that the FNGC's annual audited financial statements include descriptions of how the revenues earned as a result of gaming licenses issued by the FNGC have benefited the community. Alternatively, each FNGC could prepare a schedule of the distribution of the net lottery proceeds, accumulated from the licensee reports received on a quarterly basis, which would be included with the FNGCs annual audited financial statements.
 - To include a provision that the FNGC's annual audited financial statements must be made available to the members of the First Nation on at least an annual basis. It should be the expectation that these audited financial statements have an unqualified audit opinion, and that appropriate action would be taken in the event of a qualified opinion.
 - In combination with audited financial statements of the FNGC, we recommend that each FNGC also submit copies of independent audited financial statements of their licensee's with gross combined annual lottery revenue exceeding a predetermined value (to be established by MGCC) to the MGCC, however the FNGC still retains responsibility to ensure audits are completed, submitted in a timely manner, and reviewed with the licensee. It should be noted, that these audits are expected to bear an unqualified audit opinion, and that appropriate action would be taken in the event of a qualified opinion.
 - To include the requirement for the development of a conflict of interest policy and guidelines with respect to gaming on the First Nation. A copy of the conflict of interest policy and guidelines should be provided to MGCC. The policy and guidelines should, at a

minimum, provide that elected and staff officials of the Band Council and the FNGC are prevented from personally benefiting from their office beyond the agreed upon compensation as a result of the position they hold.

- That FNGC agreements also be between MGCC and the First Nation.
- That MGCC have authority under FNGC agreements to act to ensure FNGCs are operating in compliance with Manitoba gaming regulations.
- That the termination provisions of FNGC agreements be amended to indicate that a breach of any terms of the agreement by FNGC may be deemed to be cause for termination of the agreement without notice.
- That MGCC develop a formal internal policy and operational procedures concerning the annual reporting of FNGC operations. The policy and procedures should include penalty provisions or consequences for FNGCs not complying with their gaming commission agreement. Such consequences could include restrictions on or the loss of licensing privileges, or the termination of the FNGC agreement. It should be the expectation that FNGC audited financial statements have an unqualified audit opinion, and that appropriate action would be taken in the event of a qualified opinion.
- That FNGCs should be made aware that if the proceeds from charitable gaming events are to be used by the First Nation a license application is required.

First Nation License Applications for Bingo/Breakopen and Raffles - Terms and Conditions

- That the terms and conditions of the FNGC license applications for Bingo/Breakopen and Raffles be amended to include a provision for MGCC to audit or inspect the records or accounts of the licensee. The revised provision should clearly state that the licensee shall provide to FNGC, MGCC and all peace officers, direct and unencumbered access to all books and records of the licensee pertaining to the nature, management and conduct of the event for which the license has been granted at any time and shall deliver to FNGC or MGCC such books and records upon request.
- That the Government review the role of MGCC over charitable gaming activities licensed by FNGCs and Municipalities. The goal would be to ensure that all charitable gaming activities are subject to the same level of control.

First Nation VLT Siteholder Agreement

- That consideration be given to the following additions to the First Nation VLT siteholder agreements that would provide for enhanced accountability of First Nation VLT revenues:
 - That an annual audited financial report on VLT activities be produced with the expectation of an unqualified audit opinion which includes:

- A statement of revenue and expenditure for the VLT operations; and
- Descriptions of how the VLT revenues have been used to benefit the community.
- That the annual audited financial report on VLT activities be made available to the members of the First Nation on at least an annual basis.
- That gaming revenue earned as a result of VLT operations is used to benefit the community.
- That each year, VLT siteholders provide separate audit opinions to MLC confirming that the VLT operation was managed in compliance with the First Nation VLT siteholder agreement.
- A provision whereby the First Nation may lose its right to operate VLTs should it not comply with the terms of the First Nation gaming agreement.
- That the First Nation VLT siteholder agreement include a term to require the deposit of daily VLT net proceeds into a bank account which would provide an audit trail of the use of funds. The agreement should also require a term to allow access of MLC to siteholder banking records for compliance purposes.
- That the First Nation VLT siteholder agreement contain a requirement to maintain specific detailed daily records in a specific format designed by MLC. Consideration should be given in the format design to the potential special needs of remote locations, which may require the ability to pay some allowable expenses in cash.

Comments from Manitoba Gaming Control Commission

The Special Review by the Office of the Auditor General (OAG) has provided the Manitoba Gaming Control Commission (MGCC) with a unique opportunity to undergo independent review of its responsibilities related to First Nations Gaming Commission (FNGC) activities. The OAG's work on this matter began just as the MGCC's Board of Commissioners was finishing its formal and comprehensive review of The Gaming Control Act and regulations which began in August 2001. The MGCC is pleased that several observations and recommendations made in the OAG's report further inform and support legislative amendments proposed by the Board.

Overview

In participating in this Review, the MGCC has been mindful of the regulatory gains that have been achieved since the establishment of the inaugural FNGC in 1990. Focusing on cooperation, instead of conflict, the First Nation commission model supports self governance by establishing on-

reserve licensing authorities with responsibilities similar to municipalities and the MGCC.

Prior to 1990, the environment could best be described as unregulated and unlicensed; just over a decade later, many First Nations have established and operate their own charitable gaming licensing authorities. However, in spite of these successes there are continuing gaps in reporting and concerns with compliance. We are hopeful that the OAG's comments and recommendations will support and encourage further improvements in the regulation and operation of on-reserve licensed gaming in Manitoba.

From the MGCC's perspective, the most significant observations made by the OAG are those that identify risks with respect to our limitations and abilities to oversee FNGC responsibilities. Accordingly, we have framed our response to the OAG's report by focusing on two themes:

1. legislation and regulation; and
2. operations and procedures.

Legislative and Regulatory Framework

The MGCC is well aware of the challenging role we play with respect to FNGCs. Each Commission is established via a First Nations Gaming Commission Agreement between the First Nation and the Province of Manitoba. These Agreements create an on-reserve licensing authority in keeping with requirements under the Criminal Code. However, because these Agreements are government to government, the MGCC can monitor and report on activities, but we have no authority to directly act, seek remedy or impose sanctions.

The OAG's report itself demonstrates the perception that the MGCC has specific and significant authority with respect to licensing bodies operating on reserve. Further, this perception can be frustrating to those whose expectations are not addressed via legislation or regulation. Recognizing the complexities of any regulatory structure, let alone one involving federal, provincial and local governments, as well as laws, regulations and government to government Agreements, it is not surprising one may be perplexed by the intricacies of on-reserve gaming regulation. It is the MGCC's view that the OAG's report provides an important perspective on consistency and balance as they apply to accountability for and by licensing bodies in Manitoba.

Operations and Procedures

The MGCC's monitoring and reporting activities for FNGC activities are based on practices established when the first gaming commission was authorized. The development of the commission model was intended to remedy the environment of the late 1980s by supporting self government within the provincial authority structure established by the Criminal Code. Accordingly, the practices and procedures tied to our monitoring responsibilities have focused on sensitivities to First Nations' self-

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

determination and the belief that working cooperatively, rather than in conflict, would result in improvements to the regulation of on-reserve gaming.

At the beginning of our comments, the MGCC noted that we are the first to identify insufficiencies in compliance and reporting. The implementation of compliance verification forms in 2000 significantly enhanced the MGCC's monitoring capabilities in this regard. However, in the absence of authority to enforce Agreement terms and conditions, the approach of the MGCC (and the MLC before our establishment), has been to continue to seek compliance by working closely and cooperatively with First Nations to resolve concerns.

It is the MGCC's experience that a combination of factors contributes to the overall success of an FNGC's operations. While not all FNGCs may be operating exactly as designed, MGCC staff and FNGC board members and staff work together to identify, address and rectify deficiencies. The MGCC is hesitant to label FNGCs striving to meet the terms of their Commission Agreements as non-compliant – again preferring to work cooperatively and supportively.

The realm of compliance concerns also may include unregulated and illegal gambling. As such, the OAG's assertions, based on MGCC intelligence information, regarding illegal gaming on-reserve are of long-standing concern to the MGCC. As well, and in keeping with the perception that the MGCC is an enforcement agency, the public does bring concerns and allegations to our attention. In these circumstances involving allegations of illegal gaming, it is the policy of the MGCC to document the concerns, refer the matter to the appropriate policing authority and to continue to cooperate fully with any resulting investigation. Beyond this responsive approach, the MGCC works proactively with local police detachments and regional authorities in matters related to gaming.

MGCC Action in Response to OAG's Report

As identified by the OAG, there are existing practices and procedures that can be improved and formalized to ensure consistent policy application. Accordingly, the MGCC has implemented or will be implementing the following:

- 1. A Formal First Nation Gaming Commissions Inspection Program whereby every FNGC will be subject to a comprehensive standardized inspection of its entire operation on an annual basis.*
- 2. A Verification of Compliance Declaration Process which will ensure uniformity and consistency for all inspections and follow-up by MGCC staff.*
- 3. Notification Standards for Suspected Illegal Activities are being developed.*

Final Observations

As a concluding comment, the MGCC appreciates having had the opportunity to review the OAG's report prior to its release and to formally respond and clarify some of our roles and responsibilities with respect to on-reserve gaming operations. Working with the OAG in the background research phase of the report's development has provided us with the opportunity to review our own procedures and practices and to benefit from third party review.

Beyond the OAG's report and our response to its contents and comment, the MGCC is committed to our continued work with First Nations to pursue and maintain full compliance with the terms of all Commission Agreements.

Comments from Manitoba Lotteries Corporation

The Manitoba Lotteries Corporation (MLC) appreciates the opportunity to review, prior to its release, the Auditor General's report on the Dakota Tipi First Nation Gaming Commission and First Nation Gaming Accountability. The comments of the Corporation are limited to those areas that fall within the MLC's mandate and responsibilities, that is the First Nation VLT siteholder agreements and operations.

The MLC has reviewed the comments and recommendations of the Auditor General and supports in principle efforts to ensure the success of the First Nations program through improved management and accountability measures.

MLC's primary role in the existing First Nations VLT program has involved installing the VLTs in approved First Nation's sites, setting games and betting limits and operating the VLT network. This network provides extensive and accurate information with respect to the amount of play at each First Nation's site, the prize payouts and the net profit. It is on the basis of this information that the First Nations receives its 90% Commission.

The Auditor General has recommended several measures to enhance the management and accountability of the First Nations 90% share of VLT revenues. He has emphasized the importance of internal First Nation's controls and banking procedures to properly administer their VLT revenues. MLC supports these recommendations and, in conjunction with the Manitoba Gaming Control Commission, will implement appropriate measures through its VLT siteholder agreements. A similar process was implemented by the Manitoba First Nations Casino Implementation Committee ensuring transparency, accountability and governance requirements in the structure of the Comprehensive Provincial Framework Agreement for First Nation Casinos.

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

As First Nation's members are the intended beneficiaries of commission revenues, MLC agrees that First Nation's members should be entitled to review the utilization of those revenues. The goal of the First Nations VLT program should be to provide support for sustainable economic and social benefits and opportunities in First Nation communities. The responsibility to assess if these objectives are being achieved ultimately rests with First Nation members, the intended beneficiaries of VLT commission revenues. This can only be possible if First Nation's members are provided accurate and timely information. The MLC will examine measures to enhance its First Nations VLT siteholder agreements to ensure that siteholders provide this information in this manner.

Further, the Corporation will consider enhanced audit and compliance provisions for First Nations VLT siteholders. Discussions will be conducted with the Manitoba Gaming Control Commission with respect to each agency's mandate and responsibilities for agreement compliance. Currently, the MLC has termination provisions within its siteholder agreements, but these provisions will be reviewed to ensure they respond to the Auditor General's concerns.

The Auditor General has expressed concern "about the appropriateness and legality of certain uses of VLT proceeds with respect to the existence of evidence where the proceeds of VLTs may have been used for criminal activities". He has recommended that the Province seek legal advice on this matter. The Corporation supports this recommendation and has recommended to the Minister responsible for Lotteries that the Province request the Attorney General further review these concerns.

The present and future relationship between the MLC and MGCC is an important one. Both organizations have worked closely and effectively together within their approved legislation framework to ensure gaming is conducted with honesty and integrity in the Province. MLC supports the Auditor General's recommendations that discussion on protocol and procedures to further clarify the respective roles and responsibilities of each agency be undertaken. MLC is also supportive of initiatives that would broaden ongoing communications and coordination between these important agencies in Manitoba's gaming industry. It is important to note that the MLC has established a Corporate Compliance Steering Committee, with MGCC representation, to address many of the issues raised by the Auditor General. This Steering Committee will be requested to consider the concerns and recommendations of the Auditor General.

As noted in the Auditor General's report, the VLTs were removed from the Dakota Tipi siteholder. The MLC supports the Auditor General that these machines not be returned to Dakota Tipi "until such time as governance at DTFN is stable, and there is strong evidence to support that gaming operations can be conducted in a legal, appropriate and transparent manner for the benefit of the Community".

The MLC remains committed to supporting the efforts of Manitoba's First Nations in raising and utilizing gaming entertainment dollars to enhance the social and economic well-being of First Nation communities and people.

Comments from the Province

Allegations of gaming irregularities at Dakota Tipi were first brought to our attention in April 2002 by letter from the Provincial Council of Women. Provincial Ministers directed the Manitoba Gaming Control Commission and the Manitoba Lotteries Corporation to investigate these concerns. As this report indicates, the MGCC met with the First Nation Chief and Council, other representatives of the community, officials of Indian and Northern Affairs Canada in an on-going effort to resolve the conflict concerning matters within their purview.

Allegations linking gaming revenue to criminal activity were raised in the Manitoba Legislature in mid-July, 2002. At this point, the Province began the process of suspending all gaming activity at Dakota Tipi First Nation and soon afterwards stated publicly that an independent review of gaming at Dakota Tipi First Nation would be conducted.

As this report has made evident, the gaming irregularities at Dakota Tipi arose in a context of larger problems of local governance and escalating conflict within the community.

However, it became apparent that the ability of the Province to respond quickly to these allegations was severely limited by the existing gaming agreements between the Province and the First Nation that were made in 1994 and the Manitoba Gaming Control Act passed by the former government in 1996.

The Manitoba Government commissioned Deloitte & Touche LLP to review alleged gaming irregularities at Dakota Tipi First Nation and the Auditor General was also asked to investigate and provide broad recommendations for improving requirements for transparency and accountability of gaming in the Province.

The Manitoba Government has, in advance of receiving the Auditor General's Report, drafted legislation that will be introduced in the Manitoba Legislature in the spring of 2003 to improve transparency and accountability of all charitable gaming in the Province and for all VLT revenue raised by First Nations.

Under the proposed amendments to the legislation, all charitable gaming operators licensed by the MGCC, by municipalities and by First Nation Gaming Commissions will be required to provide audited financial statements to account for funds raised. The legislation will also include requirements for improved transparency and accountability of licensing authorities including both municipalities and First Nation Gaming Commissions.

Further, the proposed legislation requires First Nation VLT site-holders to account for VLT revenue and to make annual audited financial statements available to members of the First Nation communities.

The regulatory regime as established under the existing gaming control legislation passed in 1996 does not provide the MGCC with the ability to regulate the gaming activities of the MLC. The proposed legislative amendment expands the mandate of the MGCC to include regulatory control over gaming conducted and managed by the MLC as envisioned by the Desjardins Report in 1995.

The MGCC will be given more power to control illegal and unlicensed gaming in the Province, and will be given the power to require that licensing bodies, license holders and gaming operators comply with the terms of licenses and agreements. For the first time, the MGCC will be provided the authority to impose fines of up to \$250,000 for failure to comply with orders.

The Manitoba Government has also established a review committee with the Assembly of Manitoba Chiefs to review First Nation gaming in the Province. Part of this review will include the potential for a province-wide First Nation Gaming Commission that would serve as the licensing body and would oversee all First Nation gaming in the Province as recommended by the Auditor General in this report. Manitoba is working in partnership with the Assembly of Manitoba Chiefs to achieve this.

The Manitoba Government wishes to thank both the Auditor General and Deloitte & Touche LLP for the thorough review and analysis. We remain committed to a strong governance framework that will ensure transparency and accountability, and we believe the steps we are taking will make this happen.

SPECIAL REVIEW REQUEST

Appendix A



MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V3

OCT - 3 2002

Mr. Jon Singleton
Auditor General
500-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Singleton,

In accordance with Section 16(1) of the Auditor General Act (The Act), I would like to request that the Office of the Auditor General (OAG) examine and audit the accounts of the Dakota Tipi Gaming Commission and on-reserve gaming revenues in cooperation with the Manitoba Gaming Control Commission.

I am aware that the OAG is currently participating in status meetings regarding the review commissioned with Deloitte & Touche LLP. As well, I understand that the OAG is conducting additional work in order to provide the Manitoba Gaming Control Commission with recommendations for improved financial reporting and accountability with respect to Native Gaming Commissions in Manitoba.

My understanding is that Deloitte & Touche LLP would be able to assist you as your agent, as well as continuing under their present terms of reference and will submit their report to both your Office and to the Province through the Manitoba Gaming Control Commission.

Please advise me as soon as possible whether this special audit will interfere with your primary responsibilities and whether you would agree to conduct this special audit.

Thank you for your prompt attention to this matter.

Sincerely,

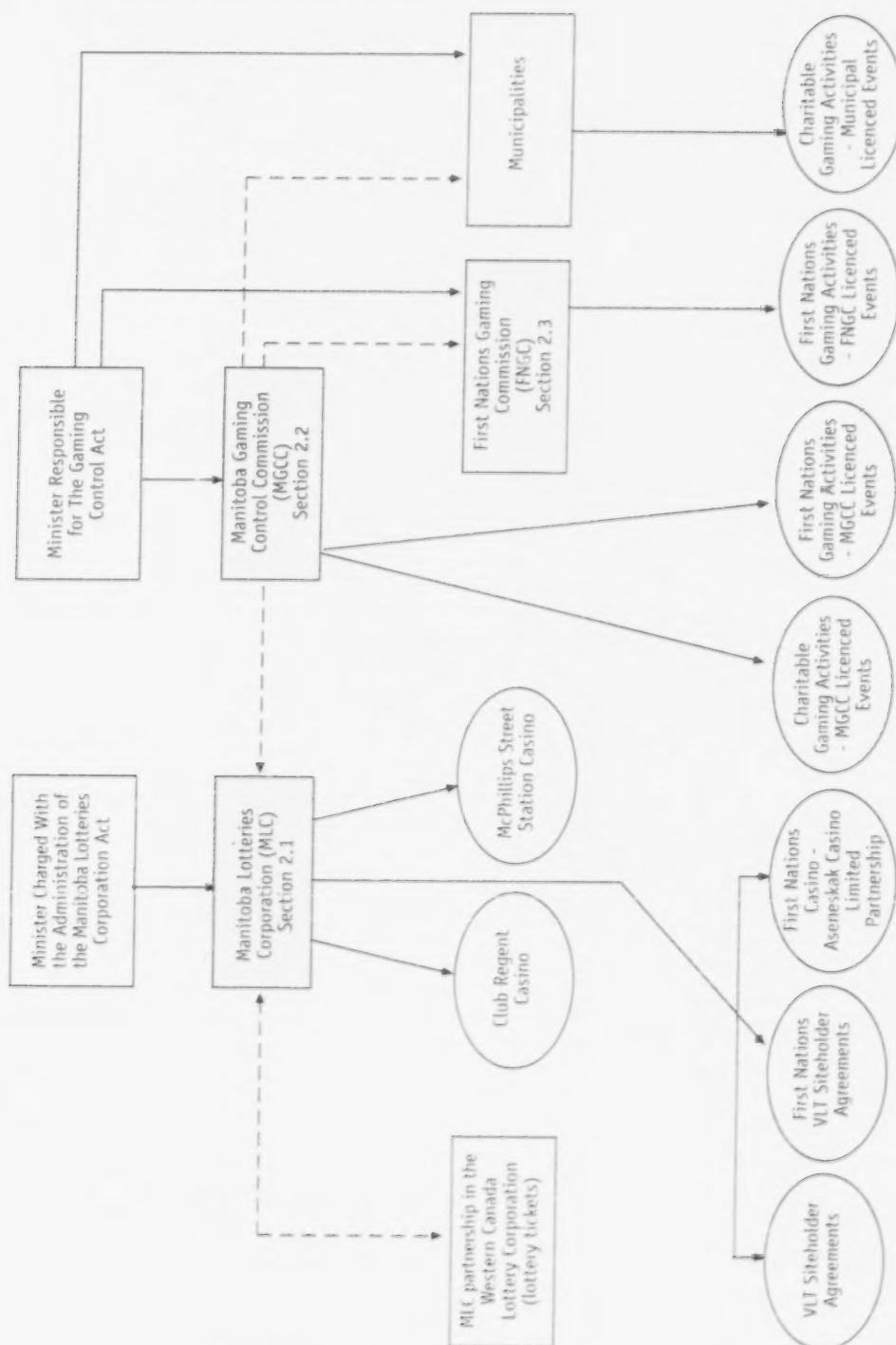
Greg Selinger

c: Hon. Tim Sale, Minister responsible for the Manitoba Gaming Control Commission
F.J.O. (Rick) Josephson, Executive Director of the Manitoba Gaming Control Commission

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

Appendix B

GAMING GOVERNANCE AND ACCOUNTABILITY FRAMEWORK IN THE PROVINCE OF MANITOBA (excluding Horse Racing events)



AGREEMENT BETWEEN THE GOVERNMENT OF MANITOBA AND
DAKOTA TIPI FIRST NATION

Appendix C

AGREEMENT

Between:

THE GOVERNMENT OF MANITOBA
(hereinafter referred to as "Manitoba")

- and -

THE DAKOTA TIPI FIRST NATION
(hereinafter referred to as "the Band")

WHEREAS Section 207(1)(b) of the Criminal Code of Canada provides that the Lieutenant Governor in Council of a province may specify a licensing authority to permit a charitable or religious organization to conduct and manage lottery schemes in that province if the proceeds from the lottery scheme are used for a charitable or religious object or purpose;

AND WHEREAS the Indian people represented by the Band assert that they have authority and jurisdiction over gaming activities on their reserve ("the reserve lands") pursuant to their treaty and inherent rights;

AND WHEREAS Section 35 of the Constitution Act, 1982 of Canada recognizes and affirms the existing treaty and aboriginal rights of the aboriginal peoples of Canada;

AND WHEREAS Manitoba and the Band agree that an Indian Gaming Commission will be established to license and monitor gaming activities on the reserve lands;

AND WHEREAS Manitoba and the Band agree that on an interim basis the Indian Gaming Commission shall be vested with authority to do so by concurrent designating enactments of Manitoba and the Band.

Appendix C
(cont'd.)

AGREEMENT BETWEEN THE GOVERNMENT OF MANITOBA AND
DAKOTA TIPI FIRST NATION

- 2 -

THE PARTIES AGREE as follows:

I. JURISDICTION

1. The Band shall establish the Dakota Tipi First Nation Gaming Commission ("the Gaming Commission"), within ninety (90) days of signing this agreement;
 - a) which shall represent the Band and which shall be bound by the provisions of this agreement;
 - b) for the purpose of licensing and regulating lottery schemes, as defined in Section 207(4) of the Criminal Code of Canada, within the reserve lands.
2. Manitoba agrees to specify by Order-in-Council the Dakota Tipi First Nation Gaming Commission as defined herein as a licensing authority pursuant to Section 207(1)(b) of the Criminal Code of Canada.
3. The Band agrees to specify, by Band Council Resolution, the Dakota Tipi First Nation Gaming Commission as the licensing authority to license and regulate all gaming activities within their reserve lands in accordance with this agreement.

II. SCOPE AND AREA OF OPERATIONS

1. The Gaming Commission shall be authorized to issue licenses to religious or charitable organizations to conduct and manage lottery schemes, within the meaning of Section 207(1)(b) of the Criminal Code of Canada, within the reserve lands.
2. The Gaming Commission, representing the Band, shall have exclusive gaming licensing authority within the reserve lands.

III. MANAGEMENT OF GAMING ACTIVITIES

1. The parties agree that terms and conditions of licenses issued by the Gaming Commission shall be similar in principle to terms and conditions which apply to licenses issued by the Manitoba Lotteries Corporation for off-reserve gaming activities.

AGREEMENT BETWEEN THE GOVERNMENT OF MANITOBA AND
DAKOTA TIPI FIRST NATION

Appendix C
(cont'd.)

- 3 -

2. Other gaming activities and gaming equipment not covered by this agreement may be the subject of separate agreement(s) to be negotiated between the Band and Manitoba.

IV. ENFORCEMENT

1. Methods of dealing with infractions for on-reserve gaming activities shall be the same as those which govern off-reserve gaming activities.

V. GAMING PRODUCT

1. The parties agree that use of gaming products be restricted to that provided, at cost, by the Manitoba Lotteries Corporation.
2. The use of alternate gaming product will be subject to joint approval between the Gaming Commission and the Manitoba Lotteries Corporation.

VI. ACCOUNTABILITY

1. Annual independent audits of gaming activity will be provided by the Gaming Commission to Manitoba.
2. The Gaming Commission will maintain a standardized system of records of the licensed operators on reserve including financial reports of licensed operators. These records are to be made available for inspection, as required, by Manitoba.
3. This process does not in any way diminish any other authority or legal rights and/or obligations to which by law, the parties are bound.

VII. PURPOSE OF REVENUE

1. The general purpose of revenue raised by the gaming activities shall be in accordance with the preamble to this Agreement.
2. Within the context of Paragraph 1, the specific objects of revenue raised shall be those identified by the particular applicant, and approved by the Gaming Commission, as it sees fit.

Appendix C (cont'd.)

AGREEMENT BETWEEN THE GOVERNMENT OF MANITOBA AND DAKOTA TIPI FIRST NATION

- 4 -

3. The identification of specific objects as falling within the general purposes identified by law shall be the responsibility of the Band in conjunction with the Gaming Commission, during the licensing process.
4. Diversion of revenue to other than identified objects shall be dealt with by the Gaming Commission in a manner determined under Part IV, Paragraph 1.

VIII. DISPUTE RESOLUTION AND REVIEW

1. The parties agree that disputes concerning the interpretation or application of this agreement may be referred by agreement for resolution to a Dispute Resolution Committee appointed by the Band and Manitoba as follows: one representative each from the Band and Manitoba and a third representative to be chosen by mutual agreement.
2. Where the parties cannot agree on a third representative, or where one party fails to appoint a representative under paragraph 1, either party may provide notice and make application in accordance with Section 6 of the Arbitration Act R.S.M. 1987, C.A120.
3. Notwithstanding paragraph 1, the parties may waive the requirement for three representatives, if they can agree on a sole arbitrator.
4. The parties agree that a review of the Gaming Commission shall be made at the request of either party to the agreement. A revision of this agreement may be arranged as a result of such a review with the mutual agreement of both parties.

IX. GENERAL

1. This agreement is binding on the successors of the parties hereto.
2. This agreement is not intended in any way to diminish any other authority or legal rights and/or obligations to which by law, the parties are bound.

X. TERMINATION OF AGREEMENT

1. Either party to this agreement may terminate this agreement by providing ninety days notice in writing to the other party.

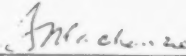
AGREEMENT BETWEEN THE GOVERNMENT OF MANITOBA AND
DAKOTA TIPI FIRST NATION

Appendix C
(cont'd.)

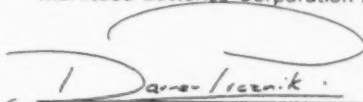
- 5 -



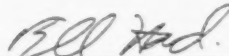
Minister Charged with the
Administration of the
Manitoba Lotteries Corporation Act



Witness

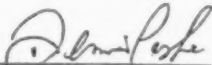


Minister Responsible for
Native Affairs



Witness

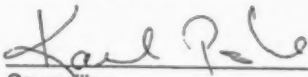
Signed this 27th day of September 1994.



Chief,
Dakota Tipi First Nation



Witness



Councillor



Witness

Councillor

Witness

Councillor

Witness

Councillor

Witness

Councillor

Witness

Councillor

Witness

Councillor

Witness

Signed this 11th day of August 1994.

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

Appendix D

**FIRST NATION VLT SITEHOLDER AGREEMENT BETWEEN MLC AND
DAKOTA TIPI FIRST NATION**

FIRST NATIONS VIDEO LOTTERY TERMINAL SITEHOLDER AGREEMENT

This Agreement made this 19th day of JANUARY, 2001.

Between:

THE MANITOBA LOTTERIES CORPORATION
(hereinafter referred to as the "Corporation").

- and -

THE DAKOTA TIPI FIRST NATION
(hereinafter referred to as the "Siteholder").

WHEREAS the Corporation has the authority and the right to conduct and manage Video Lottery Schemes in Manitoba;

AND WHEREAS the Siteholder has made application to the Corporation requesting placement of Video Lottery Terminals (herein "VLTs") on his Reserve Land, and to become an agent of the Corporation for the purpose of assisting the Corporation in the management and conduct of a video lottery scheme, and the Corporation intends to place a number of VLTs as identified in Schedule "A" hereto on the Siteholder's Reserve Land and to appoint the Siteholder its agent for the purpose;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

DEFINITIONS

1. In this Agreement:

- (a) "Central Computer System" means the computer maintained by the Corporation to which all VLTs are connected and which records all data relating to the operation of each of the VLTs so connected;
- (b) "Player" means a person who has paid lawful currency in exchange for the right to play a computer video game on a VLT, in which, by chance, the person may receive a credit that can be redeemed for further play or for money;
- (c) "Video Lottery Game" means a computer video game played on a Video Lottery Terminal in which, upon payment of lawful currency, a person by chance may receive a credit that can be redeemed for further play or money;
- (d) "Video Lottery Scheme" means a lottery scheme that is operated on or through a Video Lottery Terminal;
- (e) "Video Lottery Terminal" means a machine or device that allows a person to play a Video Lottery Game by the insertion of money, and that falls within the meaning of "slot machine" under subsection 198(3)(a) of the Criminal Code (Canada);
- (f) "Credits" means the amount of money determined by a VLT to be payable to a Player as a result of the Player's operation of the VLT;
- (g) "Gaming Commission" means the Indian Gaming Commission established by an agreement between the Siteholder and the Province of Manitoba and which has the authority to issue licenses to conduct and manage lottery schemes on the Reserve Land of the Siteholder in accordance with paragraph 207(1)(b) of the Criminal Code;
- (h) "Manitoba Gaming Commission" means the Manitoba Gaming Control Commission established by The Gaming Control Act (Manitoba);
- (i) "Administration Fee" means the non-refundable amount of \$5,650.00 per VLT received by the Corporation pursuant to Schedule "A" hereto to secure the Corporation against a VLT being lost or damaged.

DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

FIRST NATION VLT SITEHOLDER AGREEMENT BETWEEN MLC AND
DAKOTA TIPI FIRST NATION

Appendix D
(cont'd.)

- (i) "Reserve Land" means a tract of land, the legal title to which is vested in Her Majesty the Queen, that has been set apart by Her Majesty the Queen for the use and benefit of a body of Aboriginal persons recognized as a "band" within the meaning of the *Indian Act* (Canada).

SITE INSTALLATION

2. (a) The Corporation shall supply and install a number of VLTs as identified in Schedule "A" hereto, together with certain signs, fixtures and advertising material related thereto, at the Siteholder's Reserve Land commonly known as:
- DAKOTA BINGO PALACE
PARISH LOT 25 R.M. of PERTAGE LA PRAIRIE IN MANITOBA
DAKOTA TIPI RESERVE # 295

(herein the "Site"), and hereby appoints the Siteholder as its agent to assist it in the conduct and management of a video lottery scheme at the Site;

- (b) The Siteholder covenants that the Site is located on their Reserve Land.

OWNERSHIP

3. The Siteholder agrees that any VLT, sign, fixture, or other item installed at the Site or provided to the Siteholder at the cost of the Corporation shall remain the sole property of the Corporation and may be removed from the Site by the Corporation at any time.

THE CORPORATION'S COVENANTS

4. The Corporation shall:
- (a) assist in the selection of the location at the Site for installation of any VLT, fixture, or sign;
 - (b) at its expense, supply and install any VLT or device at the Site, excepting expenses incurred in the installation of wiring, outlets and telephone lines at the Site as set forth in paragraph 6 herein, which expenses shall be borne solely by the Siteholder;
 - (c) at its expense, supply and install at the Site such point of sale materials, fixtures, signs, promotional materials and supplies as the Corporation may from time to time determine to be appropriate or necessary for the operation of the VLTs;
 - (d) provide for the Siteholder and his employees such training in the repair, maintenance and servicing of VLTs as the Corporation may from time to time determine to be appropriate;
 - (e) pay to the Siteholder such commissions as set forth in Schedule "A" attached;
 - (f) at its expense, provide repair or replacement of any VLT, fixture, sign or other property of the Corporation, which is necessitated by normal wear and tear, manufacturing defect or defective maintenance or service, provided by the Corporation, its employees or agents;
 - (g) pay all communicating costs associated with the VLT hotline, other than what is already covered elsewhere in this Agreement;
 - (h) provide a toll-free "VLT hotline" to facilitate communication between the Corporation and the Siteholder.

REMUNERATION

5. The Siteholder shall be entitled to remuneration for its services supplied pursuant to this Agreement solely by way of commission on revenues received from the playing of a VLT(s) at the Site, as set forth in Schedule "A" attached.

THE SITEHOLDER'S COVENANTS

6. The Siteholder shall:
- (a) ensure all gaming on their Reserve Land is in compliance with the *Criminal Code*, existing gaming agreements with Manitoba, *The Gaming Control Act* (Manitoba) and any Regulations thereto, *The Manitoba Lotteries Corporation Act* (Manitoba) and any Regulations thereto, the rules and directives of the Corporation concerning Video Lottery Schemes, and the rules and directives of the Manitoba Gaming Commission;

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

Appendix D
(cont'd.)

**FIRST NATION VLT SITEHOLDER AGREEMENT BETWEEN MLC AND
DAKOTA TIPI FIRST NATION**

- (b) allow the Corporation access to the Site for the purpose of installing, inspecting, maintaining, repairing or replacing any VLT, sign, fixture or other property of the Corporation on the Site;
- (c) provide, at the Siteholder's expense, in the area of the Site selected by the Corporation for placement of any VLT, an electrical isolated grounded outlet on separate circuit (dedicated line from fuse box) that is designed to provide electrical service 24 hours per day to any VLT or device supplied by the Corporation;
- (d) provide, at the Siteholder's expense, telephone service in sufficient proximity to any VLT to permit an individual operating, maintaining or repairing a VLT to simultaneously carry on a telephone conversation;
- (e) pay any costs incurred in the installation and removal of electrical wiring, outlets, telephones and telephone lines required on the Site for the purpose of installing, maintaining, repairing or removing any VLT, fixture, sign or other property of the Corporation;
- (f) pay all electrical utility charges incurred in connection with the operation of any VLT, fixture and sign;
- (g) not allow on the Site any VLT or related accessory or product unless:
 - (i) its placement and operation is authorized by this Agreement;
 - (ii) it is approved for operation by and is the property of the Corporation; and
 - (iii) it bears a decal evidencing ownership by the Corporation;
- (h) not move any VLT from the location of installation selected by the Corporation without the prior written approval of the Corporation;
- (i) pay to the Corporation, in accordance with Schedule "A" attached, all costs incurred by the Corporation in repairing or replacing any VLT, fixture, sign or other property of the Corporation damaged, destroyed, lost or stolen while on the Site and in the care of the Siteholder (notwithstanding the receipt of the Corporation of the Administration Fee), other than repair or replacement necessitated by normal wear and tear, manufacturing defect, or defective maintenance or service provided by the Corporation, its employees or agents;
- (j) post a list of the Corporation's rules respecting the play of Video Lottery Games within site of the operation of all VLTs;
- (k) exercise due diligence in the operation and care of any VLT, fixture, sign or other property of the Corporation on the Site and immediately notify the Corporation of any malfunction or disrepair;
- (l) be responsible for the on-site security of any VLT, fixture, sign or other property of the Corporation on the Site, and, without limiting the generality of the foregoing, the Siteholder shall not nor shall the Siteholder permit a person to:
 - (i) remove a VLT from the Site or place a VLT on the Site without the prior written consent of the Corporation; or
 - (ii) manipulate or attempt to manipulate a VLT in an effort to influence the outcome or pay-off of a Video Lottery Game; or
 - (iii) activate or attempt to activate a VLT by fraudulent means;
- (m) maintain such amount of property and public liability insurance in respect of any VLT equipment as, in the sole discretion of the Corporation, is necessary to cover the costs of the Siteholder's obligations under this Agreement, and upon request by the Corporation, shall provide the Corporation with proof of such insurance coverage, including copies of insurance policies (all risk replacement cost insurance with the Corporation named as the insured);
- (n) provide such services and perform such duties in relation to the VLTs as may be required from time to time pursuant to the rules and directives of the Corporation;
- (o) permit and undergo a complete security screening by the Corporation and the Manitoba Gaming Commission;
- (p) designate one or more employees as the Siteholder's representative(s) directly responsible for carrying out the duties and functions of the Siteholder hereunder;
- (q) ensure that the Siteholder's representative(s) attend, at the Siteholder's expense, such training sessions in the operation of VLTs and in the performance of other services relating to VLTs as the Corporation shall from time to time in its sole discretion prescribe;

**FIRST NATION VLT SITEHOLDER AGREEMENT BETWEEN MLC AND
DAKOTA TIPI FIRST NATION**

Appendix D
(cont'd.)

- (r) during all times that the Siteholder's premises are open for business, have available such quantity of trained staff as may from time to time be prescribed by the Corporation to ensure prompt payment of winnings to players;
- (s) at all times, carry sufficient float to enable the prompt payment of any Credits which may be claimed in the normal course of operations;
- (t) make payment of all Credits to which Players are entitled;
- (u) not grant credit, cash cheques or provide advances on credit cards or debit cards to enable a person to play a Video Lottery Game;
- (v) provide change to patrons wishing to use a VLT;
- (w) bear the risk of loss and be responsible for lost, stolen and missing monies relating to the operation of any VLT;
- (x) at such locations within or about the Site as may be prescribed by the Corporation, install, post and display prominently such point of sale, redemption, promotional material and other pertinent signage as may from time to time be prescribed by the Corporation;
- (y) use no advertising or promotional material relating to lotteries, including Video Lottery Schemes, excepting that which is provided or expressly approved in writing by the Corporation;
- (z) not, without the prior written consent of the Corporation and the Gaming Commission, in any way promote any other lottery scheme or game or engage in any activities in competition with the lottery schemes or games managed, conducted or participated in by the Corporation or licensed by the Gaming Commission;
- (aa) not use any VLT to conduct a tournament or other promotional event without the prior written authorization of the Corporation and the Gaming Commission;
- (ab) make deposits of monies removed from any VLT into such designated bank account as may be prescribed by the Corporation;
- (ac) maintain current and accurate records of all amounts of monies paid into any VLT by Players, of all Credits paid to Players from any VLT and of all withdrawals of monies removed from any VLT, all in conformity with the rules, instructions, directives and operating manuals of the Corporation;
- (ad) account to the Corporation for all monies collected in connection with the operation of any VLT and promptly pay and deliver to the Corporation all monies due to the Corporation;
- (ae) make his records relating to any VLT available for inspection and removal from the Site as required by the Corporation for inspection and/or audit;
- (af) retain in a chronological file his records and books of account relating to any VLT for a period of not less than one (1) year from their date;
- (ag) ensure safe and secure storage of all printer paper;
- (ah) not represent or hold himself out to be other than an agent pursuant to this Agreement;
- (ai) not use the term "casino" in or in respect of the Site or any aspect of his business, including the Site's or the business' signs, advertising or promotional material;
- (aj) not use Video Lottery Terminals, assets and business (good will) with respect to the purchase or sale of the siteholder's business;
- (ak) not permit a person under the age of 18 years to play a Video Lottery Game;
- (al) ensure that VLTs are not visible to persons under the age of 18 years by configuring the Site or by utilizing screens or other visual barriers in the Reserve Land such that VLTs are not generally visible and by restricting the access of persons under the age of 18 years to the area of the Reserve Land where the VLTs are situated;
- (am) not enter into any agreement which entitles any person to receive any amount which varies based on revenues from VLTs located at the Site, without the express written consent of the Corporation;

Appendix D (cont'd.)

FIRST NATION VLT SITEHOLDER AGREEMENT BETWEEN MLC AND DAKOTA TIPI FIRST NATION

LIMITATION OF THE CORPORATION

7. The Corporation shall not be liable to the Siteholder for any loss or injury resulting from:
- (a) fire or other occurrence resulting from the installation, operation, repair or removal of any VLT, fixture, sign or other property of the Corporation on the Site, or from any transmission lines or other facilities installed for the operation of any VLT, fixture, sign or other property of the Corporation on the Site;
 - (b) failure or malfunction of any VLT, fixture, sign or other property of the Corporation on the Site, or from any transmission lines or other facilities installed for the operation of any VLT, fixture, sign or other property of the Corporation on the Site;
 - (c) reasonable defacement of the Site necessarily associated with installation, repair or removal of any VLT, fixture, sign or other property of the Corporation on the Site, or from any transmission lines or other facilities or any other property of the Corporation on the Site installed for the operation of any VLT, fixture, sign or other property of the Corporation on the Site; and
 - (d) interruptions or cessation of the operation of any VLT, fixture, sign or other property of the Corporation on the Site, and any resulting loss of business to the Siteholder, whether from any VLT or otherwise;

whether or not such loss or injury is as a result of the negligence or deliberate act or omission of the Corporation, its servants or agents.

DURATION AND TERMINATION OF AGREEMENT

8. This Agreement shall be effective from the date hereof until terminated and may be terminated:
- (a) without cause, by the Siteholder on seven (7) days' notice in writing to the Corporation;
 - (b) without cause, by the Corporation on seven (7) days' notice in writing to the Siteholder;
 - (c) for cause, by the Corporation without notice to the Siteholder. Without limiting the generality of the foregoing, the following events shall be deemed to be cause for termination without notice:
 - (i) failure to ensure all gaming on their Reserve Land is in compliance with the *Criminal Code*, existing gaming agreements with Manitoba, *The Gaming Control Act (Manitoba)* and any Regulations thereto, *The Manitoba Lotteries Corporation Act (Manitoba)* and any Regulations thereto, the rules and directives of the Corporation concerning Video Lottery Schemes, and the rules and directives of the Manitoba Gaming Commission;
 - (ii) failure to pay promptly money due to the Corporation pursuant to the terms of this Agreement;
 - (iii) in the event of the bankruptcy or insolvency of the Siteholder or if a receiver or a liquidator is appointed over some or all of the assets of the Siteholder or any of the assets of the Siteholder are seized or distrained upon;
 - (iv) involvement of the Siteholder or any of the individuals involved in the operation of the Video Lottery Scheme in criminal activity;
 - (v) conviction of the Siteholder or any of the individuals involved in the operation of the Video Lottery Scheme of a criminal offense during the currency of this Agreement;
 - (vi) discovery that the Siteholder has made a misrepresentation on an application form submitted to the Corporation;
 - (vii) engaging in conduct that is contrary to the public interest or harmful to the integrity or reputation of the Video Lottery Scheme; or

CONTINUING OBLIGATIONS OF SITEHOLDER

9. Notwithstanding the termination of this Agreement for any reason, the Siteholder shall be obligated:
- (a) to account to the Corporation;
 - (b) to pay and deliver to the Corporation all monies due to the Corporation pursuant to the terms of this Agreement; and
 - (c) not to refuse the removal by the Corporation of all property of the Corporation located on the Site.

DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

FIRST NATION VLT SITEHOLDER AGREEMENT BETWEEN MLC AND
DAKOTA TIPI FIRST NATION

Appendix D
(cont'd.)

PREVAILING RECORDS

10. In the event of any inconsistency between records generated by the Siteholder, any VLT and the Central Computer System, the records generated by the Central Computer System shall be deemed to be accurate and shall govern. The Siteholder shall be bound by the Central Computer System records and shall account to the Corporation on the basis of the records generated by the Central Computer System.

NOTICE

11. Any notice permitted or required by the Corporation to the Siteholder may be given by posting the same by prepaid registered mail and addressed to the Siteholder at the address appearing in paragraph 2 of this Agreement or by personal delivery to the Siteholder. Any notice permitted or required to be given by the Siteholder to the Corporation may be given by posting the same by prepaid registered mail and addressed to the head office of the Corporation. Except during periods of a postal strike or of a general interruption of postal services, any notice given by registered mail hereunder shall be deemed to have been received on the second business day following posting of same.

NON-ASSIGNMENT

12. This Agreement may not be assigned by either party hereto.

MISCELLANEOUS

13. If any covenant or term hereof or the application thereof to any person, or to any circumstance, to any extent is held invalid or unenforceable, the remainder of this Agreement or the application of the term, covenant or condition to any person or circumstance, other than those as to which it is held invalid or unenforceable, will not be affected thereby and each term, covenant and condition hereof will be valid and enforceable to the full extent permitted by law.

14. This Agreement constitutes the entire agreement between the Siteholder and the Corporation respecting the subject matter of this Agreement and supersedes all prior agreements, oral or written, among the parties hereto or their respective representatives with respect to the matters herein and shall not be modified or amended except by written agreement signed by the parties to be bound hereby; saving and excepting that existing gaming agreements with Manitoba, *The Gaming Control Act* (Manitoba) and any Regulations thereto, *The Manitoba Lotteries Act* (Manitoba) and any Regulations thereto, the rules and directives of the Corporation concerning Video Lottery Schemes, and the rules and directives of the Manitoba Gaming Commission shall be binding upon the Siteholder to the same extent as if incorporated into and forming part of this Agreement.

15. No representations shall be implied by the entering into of this Agreement that are not specifically provided for herein.

16. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the Province of Manitoba.

17. The masculine gender where used herein shall include the feminine or neuter or vice versa and the singular shall include the plural where the context shall require.

DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

Appendix D
(cont'd.)

FIRST NATION VLT SITEHOLDER AGREEMENT BETWEEN MLC AND
DAKOTA TIPI FIRST NATION

In witness whereof the parties hereby have executed this Agreement the day and year first written above.

THE MANITOBA LOTTERIES CORPORATION
Per: [Signature]
Date: January 23, 2001
Witness: [Signature]

THE DAKOTA TIPI FIRST NATION
Per: [Signature]
Chief Dennis Pashe
Per: [Signature]
Councilor Arden Pashe
Per: [Signature]
Councilor Ralph Pashe
Date: 19 Jan 2001
Witness: [Signature]

A Quorum for this First Nation is 2

If Siteholder is a corporation, affix seal.

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

**FIRST NATION VLT SITEHOLDER AGREEMENT BETWEEN MLC AND
DAKOTA TIPI FIRST NATION**

**Appendix D
(cont'd.)**

SCHEDULE "A"

1. The Corporation shall supply and install twenty-five (25) VLTs at the Site.
2. The Siteholder shall be entitled to receive, pursuant to section 5 of the Agreement, 45% of the Net Proceeds from the VLTs installed pursuant to this Agreement (leaving 55% of the Net Proceeds retained by the Corporation). From and after the date on which the Corporation has received, from receipt by it of 45% of the Net Proceeds, an aggregate amount equal to \$5,650 multiplied by the number of VLTs installed pursuant to this Agreement, the Siteholder shall be entitled to receive 90% of the Net Proceeds received after such date from the VLTs installed pursuant to this Agreement. "Net Proceeds" for the purpose of this Schedule shall mean gross cash deposited in the VLTs installed pursuant to this Agreement, minus prizes paid out in respect of such VLTs, as reported by the Central Computer System. The Net Proceeds to which the Corporation is entitled shall be paid to the Corporation, at times specified by the Corporation, by automatic withdrawals from such bank account as is designated by the Corporation.
3. The costs for which the Siteholder is responsible under section 6(i) of this Agreement shall be determined on the following basis:
 - (a) the actual cost to the Corporation of the parts required; plus
 - (b) travel costs of the Corporation's repair person(s) at the rate paid by the Corporation existing at the time of the service call, plus any other out of pocket travel expenses of the repair person(s) in accordance with Corporation guidelines; plus
 - (c) a flat service charge of \$75.00 per visit.
4. The MLC will determine the number of VLTs to be placed on site.

MANITOBA LOTTERIES CORPORATION

Per: [Signature]

Date: January 23, 2001

[Signature]
Witness

DAKOTA TIPI FIRST NATION

Per: [Signature]
Chief Dennis Pashe

Per: [Signature]
Councillor Arden Pashe

Per: [Signature]
Councillor Ralph Pashe

[Signature]
Witness

Date: 19 JAN 2001

A Quorum for this First Nation is 2

Appendix E

DRAFT AGREEMENT BETWEEN SOARING EAGLE ACCOUNTING LTD. AND DAKOTA TIPI FIRST NATION



July 12, 2002

Dakota Tipi First Nation
Dakota Tipi, Manitoba

DAKOTA TIPI FIRST NATION GAMING COMMISSION OPERATING AGREEMENT

Soaring Eagle Accounting Ltd. will manage the Dakota Tipi First Nation Gaming Commission and its operations under the following terms and conditions:

1. Manage the total commission operations,
2. Oversee and administer all accounting, banking, finance, and insurances,
3. Administer the bank loan on the gaming building,
4. Oversee all staffing, hiring, and management,
5. Oversee all payroll administration, payroll preparation, deductions, and remittances,
6. Prepare bi-weekly reports to be given to Chief and Council and Manitoba Gaming,
7. Be a signatory, with the management committee members on the bank accounts and ensure the accountability of all funds deposited, and
8. Administer the Manitoba Gaming Control Commission agreement and ensure all operations are carried out within the terms of said agreement; any breach of this agreement will be reported to the Manitoba Gaming Control Commission in writing.

The affairs of the Gaming Commission will be managed by the principals of Soaring Eagle Accounting Ltd., Grant Hayton and David Doer, and the following people representing the community, Bill Traverse, Cornell Pashe and Arden Pashe.

This contract will start effective July 12, 2002 and remain in effect for a period of one year, renewable thereafter by mutual consent. Our fee will be fixed at 15% of the gross gaming receipts.

Yours truly;

Soaring Eagle Accounting Ltd.
Per David R. Doer CMA

Dakota Tipi First Nation

AGREEMENT BETWEEN SOARING EAGLE ACCOUNTING LTD. AND
DAKOTA TIPI FIRST NATION

Appendix F



July 12, 2002

Dakota Tipi First Nation
Dakota Tipi, Manitoba

DAKOTA TIPI FIRST NATION GAMING COMMISSION OPERATING
AGREEMENT

Soaring Eagle Accounting Ltd. will manage the Dakota Tipi First Nation Gaming Commission and its operations under the following terms and conditions:

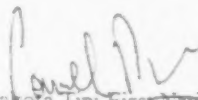
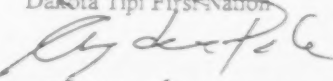
1. Manage the total commission operations,
2. Oversee and administer all accounting, banking, finance, and insurances,
3. Administer the bank loan on the gaming building,
4. Oversee all staffing, hiring, and management,
5. Oversee all payroll administration, payroll preparation, deductions, and remittances,
6. Prepare bi-weekly reports to be given to Chief and Council and Manitoba Gaming,
7. Be a signatory, with the management committee members on the bank accounts and ensure the accountability of all funds deposited, and
8. Administer the Manitoba Gaming Control Commission agreement and ensure all operations are carried out within the terms of said agreement; any breach of this agreement will be reported to the Manitoba Gaming Control Commission in writing,

The affairs of the Gaming Commission will be managed by the principals of Soaring Eagle Accounting Ltd., Grant Hayton and David Doer, and the following people representing the community, Bill Traverse, Cornell Pashe and Arden Pashe.

This contract will start effective July 12, 2002 and remain in effect for a period of one year, renewable thereafter by mutual consent. Our fee will be fixed at 15% of the VLT gaming receipts.

Yours truly,


Soaring Eagle Accounting Ltd.
Per David R. Doer CMA


Dakota Tipi First Nation

Bill Traverse

Appendix G

RESIGNATION LETTER FROM SOARING EAGLE ACCOUNTING LTD. TO DAKOTA TIPI FIRST NATION



Dakota Tipi First Nation
Dakota Tipi First Nation, Manitoba
Attention: Chief Dennis Pashe

2 August 2002

Dear Chief Pashe:

RE: Gaming Commission Dakota Tipi First Nation

Over the past five months we have been attempting to obtain the accounting records of the VLT and Bingo/Gaming Commission operations at Dakota Tipi First Nation to compile financial statements for last year and the current period to date. We were then going to provide the financial statements to an independent auditor for completion of an audit. In connection with these efforts we recently signed a contract with the First Nation to manage the Dakota Tipi Gaming Commission Operations on an independent basis.

Unfortunately, we have not been able to obtain the accounting source documents to either commence the compilation of the financial records or independently confirm the financial affairs of the operations. In addition to not receiving accounting source documents, we were informed by the Manitoba Gaming Control Commission that the Bingo operations commenced last week without our involvement. In addition, the deposit of funds on hand for the operations was not done last week as promised by the Gaming Manager.

Because of the lack of co-operation by the VLT and Bingo managers, we have no choice but to resign effective immediately.

We regret having to take this action as we firmly believe we could have substantially helped the operations from an independent financial standpoint.

Yours truly,
Soaring Eagle Accounting Ltd.

T. G. (Grant) Hayton

David R. Doer CMA

c. Fillmore Riley, (Steven Z. Raber)
Marjorie Prince c/o David Newman,
Manitoba Gaming Control Commission (Rick Josephson/Bill Dexter)

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

FIRST NATION GAMING COMMISSIONS IN MANITOBA

Appendix H



Manitoba Gaming
Control Commission

First Nation Gaming Commissions

Since 1990, the Province has entered into Native Gaming Commission Agreements with:

	FIRST NATION	DATE SIGNED
1	Opaskwayak Cree Nation (formerly The Pas)	9-Jan-90
2	West Region Economic Development Corp. (Represents one Band: Gambler)	9-May-91
3	Norway House Cree Nation	7-Jun-91
4	Roseau River Anishinabe First Nation	13-Mar-92
5	Mathias Colomb Cree Nation	6-Apr-92
6	Nisichawayasihk Cree Nation (Nelson House)	5-Aug-92
7	O-Chi-Chak-Ko-Sipi First Nation (Crane River)	Sep28/92 & Nov02/92
8	Fox Lake First Nation	23-Dec-92
9	Sandy Bay First Nation	3-Mar-93
10	Chemawawin First Nation	19-May-93
11	Peguis Indian Band	24-Jun-93
12	Pine Creek First Nation	16-Aug-93
13	Grand Rapids First Nation	6-Oct-93
14	Ebb and Flow First Nation	12-May-94
15	Waywayseecappo First Nation	26-May-94
16	Berens River First Nation	26-May-94
17	Dakota Tipi First Nation	27-Sep-94
18	Brokenhead Ojibway Nation	23-Feb-95
19	Bloodvein First Nation	2-Jan-97
20	Split Lake Cree First Nation	2-Jan-97
21	Skownan First Nation (Waterhen)	11-Feb-97
22	Hollow Water First Nation	10-Mar-97
23	Fisher River First Nation	10-Mar-97
24	Sagkeeng First Nation	3-Jul-97
25	Swan Lake First Nation	5-Dec-97
26	Lake Manitoba First Nation	28-Apr-98
27	Sioux Valley Dakota Nation	21-Apr-99
28	Little Black River First Nation	30-Jun-99
29	Barren Lands First Nation	10-Aug-99
30	Little Grand Rapids First Nation	22-Mar-01
31	Sapotaweyak Cree Nation	22-Mar-01
32	Buffalo Point First Nation	27-Aug-01

As of November 5, 2001

DAKOTA TIPI FIRST NATION GAMING COMMISSION AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA

FIRST NATION GAMING COMMISSIONS IN MANITOBA

Appendix H



Manitoba Gaming
Control Commission

First Nation Gaming Commissions

Since 1990, the Province has entered into Native Gaming Commission Agreements with:

	FIRST NATION	DATE SIGNED
1	Opaskwayak Cree Nation (formerly The Pas)	9-Jan-90
2	West Region Economic Development Corp. (Represents one Band: Gambler)	9-May-91
3	Norway House Cree Nation	7-Jun-91
4	Roseau River Anishinabe First Nation	13-Mar-92
5	Mathias Colomb Cree Nation	6-Apr-92
6	Nisichawayasiht Cree Nation (Nelson House)	5-Aug-92
7	O-Chi-Chak-Ko-Sipi First Nation (Crane River)	Sep26/92 & Nov02/92
8	Fox Lake First Nation	23-Dec-92
9	Sandy Bay First Nation	3-Mar-93
10	Chemawawin First Nation	13-May-93
11	Peguis Indian Band	24-Jun-93
12	Pine Creek First Nation	16-Aug-93
13	Grand Rapids First Nation	6-Oct-93
14	Ebb and Flow First Nation	10-May-94
15	Waywayseecappo First Nation	26-May-94
16	Berens River First Nation	26-May-94
17	Dakota Tipi First Nation	27-Sep-94
18	Brokenhead Ojibway Nation	23-Feb-95
19	Bloodvein First Nation	2-Jan-97
20	Split Lake Cree First Nation	2-Jan-97
21	Skownan First Nation (Waterman)	11-Feb-97
22	Hollow Water First Nation	10-Mar-97
23	Fisher River First Nation	10-Mar-97
24	Sagkeeng First Nation	3-Jul-97
25	Swan Lake First Nation	5-Oct-97
26	Lake Manitoba First Nation	28-Apr-98
27	Sioux Valley Dakota Nation	27-Apr-98
28	Little Black River First Nation	30-Jun-98
29	Barren Lands First Nation	10-Aug-98
30	Little Grand Rapids First Nation	22-Mar-01
31	Sapotaweyak Cree Nation	22-Mar-01
32	Buffalo Point First Nation	27-Aug-01

As of November 5, 2001

**DAKOTA TIPI FIRST NATION GAMING COMMISSION
AND FIRST NATION GAMING ACCOUNTABILITY IN MANITOBA**

Appendix I

FIRST NATION VLT SITEHOLDER AGREEMENTS IN MANITOBA



**Manitoba Gaming Control Commission - First Nations Video Lottery
Terminal Siteholder Agreements**

First Nation	# of VLTs
1) Opaskwayak Cree Nation (formerly The Pas) September 16, 1992 (20 VLTs) & January 25, 1993 (20 VLTs)	40
2) Ojichakosipi First Nation (Crane River) September 28, 1992 (6 VLTs) & August 18, 1994 (14 VLTs)	20
3) Pine Creek First Nation December 4, 1992 (40 VLTs)	40
4) Sandy Bay First Nation May 14, 1993 (10 VLTs) & April 8, 1994 (15 VLTs)	25
5) Peguis First Nation June 1, 1993 (20 VLTs) & August 9, 1993 (10 VLTs) & April 18, 1994 (10 VLTs)	40
6) Buffalo Point First Nation June 2, 1993 (20 VLTs)	20
7) Waywayseecappo First Nation July 13, 1993 (40 VLTs)	40
8) Nisichawayasihk Cree Nation (Nelson House) August 6, 1993 (6 VLTs) & January 12, 1994 (4 VLTs) & August 10, 1999 (10 VLTs)	20
9) Chemawawin First Nation December 3, 1993 (6 VLTs) & March 18, 1994 (4 VLTs)	10
10) Ebb & Flow First Nation December 10, 1993 (10 VLTs) & October 5, 1999 (10 VLTs)	20
11) Grand Rapids First Nation February 2, 1994 (20 VLTs)	20
12) Roseau River Anishinabe First Nation May 3, 1994 & August 11, 1994 (20 VLTs)	20
13) Fairford First Nation September 2, 1994 (10 VLTs)	10
14) Norway House First Nation week of March 6, 1995 (20 VLTs) & July 19, 1999 (20 VLTs)	40
15) Swan Lake First Nation August 4, 1999 (20 VLTs) & October 18, 1999 (20 VLTs)	40
16) Lake Manitoba First Nation August 4, 1999 (10 VLTs) & March 1, 2000 (10 VLTs)	20
17) Sioux Valley Dakota Nation August 4, 1999 (20 VLTs)	20
18) Long Plain First Nation September 17, 1999 (12 VLTs) & March 9, 2000 (8 VLTs)	20
19) Brokenhead Ojibway Nation October 5, 1999 (40 VLTs)	40
20) Sapsotawayak Cree Nation (Shoal River) October 5, 1999 (6 VLTs) & June 27, 2000 (6 VLTs)	12
21) Fisher River First Nation October 26, 1999 (10 VLTs)	10
22) Tooninaowasibeeng First Nation (Valley River) October 5, 1999 (6 VLTs)	6
23) Keeseekoowenin First Nation March 1, 2000 (10 VLTs)	10
24) Split Lake Cree First Nation June 22, 2000 (10 VLTs)	10
25) Dakota Tipi First Nation January 23, 2001 (25 VLTs)	25
26) Sagkeeng First Nation September 21, 2000 (20 VLTs)	20
Total # of VLTs on-line: 598	

November 5, 2001

Excerpt: The Auditor General Act

Audit of government accounts

9(1) The Auditor General is the auditor of the accounts of the government, including those relating to the Consolidated Fund, and must make any examinations and inquiries that he or she considers necessary to enable the Auditor General to report as required by this Act.

Audit of other public money

9(2) The Auditor General is responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise.

Content of the report

10(2) The report must indicate anything resulting from the work of the Auditor General that he or she considers should be brought to the Assembly's attention, including, but not limited to, circumstances in which

- (a) required information was not provided or was not provided within a reasonable time;
- (b) accounts were not properly kept or public money was not fully accounted for;
- (c) essential records were not maintained, or the rules and procedures applied were insufficient to
 - (i) safeguard and control public property,
 - (ii) secure an effective check on the assessment, collection and proper allocation of revenue, or
 - (iii) ensure that expenditures were made only as authorized;
- (d) public money was expended for purposes other than those for which it was appropriated by the Legislature;
- (e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

Audit of recipient of public money

15(1) The Auditor General may conduct an examination and audit in respect of public money received by a recipient of public money, including the matters listed in subsection 14(1), and may require the recipient to prepare and give to the Auditor General the financial statements setting out the details of the disposition of the public money received.

No obstruction

15(2) No person shall obstruct or provide false or misleading information to the Auditor General or a person employed under the Auditor General in conducting an examination or audit under this section, or conceal or destroy any records or things relevant to an examination or audit.

Reliance on report of other auditor

15(4) The Auditor General may rely on the report of an auditor appointed by a recipient of public money.

Special audit request

16(1) When requested to do so by the Lieutenant Governor in Council or the Minister of Finance, or by resolution of the Standing Committee on Public Accounts, the Auditor General may examine and audit the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. But the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General.

Access to information

18(2) The Auditor General may require and is entitled to receive any information necessary for the purpose of this Act from

- (a) any person in the public service or formerly in the public service;
- (b) any current or former director, officer, employee or agent of a government organization or of a recipient of public money; or
- (c) any other person, organization or other body that the Auditor General believes on reasonable grounds may have information relevant to an examination or audit under this act.

Excerpt: The Auditor General Act

Audit of government accounts

9(1) The Auditor General is the auditor of the accounts of the government, including those relating to the Consolidated Fund, and must make any examinations and inquiries that he or she considers necessary to enable the Auditor General to report as required by this Act.

Audit of other public money

9(2) The Auditor General is responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise.

Content of the report

10(2) The report must indicate anything resulting from the work of the Auditor General that he or she considers should be brought to the Assembly's attention, including, but not limited to, circumstances in which

- (a) required information was not provided or was not provided within a reasonable time;
- (b) accounts were not properly kept or public money was not fully accounted for;
- (c) essential records were not maintained, or the rules and procedures applied were insufficient to
 - (i) safeguard and control public property,
 - (ii) secure an effective check on the assessment, collection and proper allocation of revenue, or
 - (iii) ensure that expenditures were made only as authorized;
- (d) public money was expended for purposes other than those for which it was appropriated by the Legislature;
- (e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

Audit of recipient of public money

15(1) The Auditor General may conduct an examination and audit in respect of public money received by a recipient of public money, including the matters listed in subsection 14(1), and may require the recipient to prepare and give to the Auditor General the financial statements setting out the details of the disposition of the public money received.

No obstruction

15(2) No person shall obstruct or provide false or misleading information to the Auditor General or a person employed under the Auditor General in conducting an examination or audit under this section, or conceal or destroy any records or things relevant to an examination or audit.

Reliance on report of other auditor

15(4) The Auditor General may rely on the report of an auditor appointed by a recipient of public money.

Special audit request

16(1) When requested to do so by the Lieutenant Governor in Council or the Minister of Finance, or by resolution of the Standing Committee on Public Accounts, the Auditor General may examine and audit the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. But the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General.

Access to information

18(2) The Auditor General may require and is entitled to receive any information necessary for the purpose of this Act from

- (a) any person in the public service or formerly in the public service;
- (b) any current or former director, officer, employee or agent of a government organization or of a recipient of public money; or
- (c) any other person, organization or other body that the Auditor General believes on reasonable grounds may have information relevant to an examination or audit under this act.

Respect. Teamwork. Professional Excellence.



Respect. Honesty. Balanced Perspective.